Major Savings and Reforms in the President's 2007 Budget

FEBRUARY 2006

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General Notes

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.
3. PART refers to the Program Assessment Rating Tool.
4. At the time of this writing, S. 1932, the Deficit Reduction Act, was pending in the Congress. All references to spending in the Budget and this document assume enactment of S. 1932.

INTRODUCTION

Major Savings and Reforms in the President's 2007 Budget

> *Keeping America competitive requires us to be good stewards of tax dollars.*
>
> President George W. Bush
> State of the Union Address
> January 31, 2006

The President's 2007 Budget continues the successful pro-growth policies that have encouraged robust economic growth and job creation. A strong economy, together with spending restraint, is critical to reducing the deficit. The Budget builds on last year's successful spending restraint by again holding the growth of overall discretionary spending below inflation, proposing to reduce non-security discretionary spending below the previous year's level, and calling for the elimination or reduction of programs not getting results or not fulfilling essential priorities. Like last year, the Budget proposes savings and reforms to mandatory spending programs, whose unsustainable growth poses the real long-term danger to our fiscal health.

Last year's Budget proposed savings in non-security discretionary spending as well as the first savings from mandatory programs since 1997. The Congress answered the call for restraint and accepted 89 of the President's 154 proposals for a total savings of $6.5 billion. The Congress also delivered reforms to mandatory spending programs and passed the Deficit Reduction Act to save nearly $40 billion over five years. The Administration looks forward to similar accomplishments and partnership this year.

Savings from Discretionary Program Terminations and Reductions

For the second consecutive year, the Budget proposes to reduce funding for non-defense/non-homeland security discretionary programs below the prior year's level; proposing 141 program terminations and reductions for nearly $15 billion in savings.

Savings from Mandatory Spending Reductions and Reforms

Unlike discretionary spending, mandatory spending is generally not subject to annual congressional review, and therefore often grows faster in cost and size. The greatest threat to our fiscal health over the long-term comes from the unsustainable growth in mandatory programs such as Social Security, Medicare, and Medicaid. The 2007 Budget proposes $65 billion in net mandatory savings for 2007 through 2011 by slowing the growth in this spending.

Budget Enforcement and Other Reforms

The 2007 Budget encourages long-term fiscal restraint by proposing several budget process and program oversight reforms, including:

- Requiring that legislation including new or increased mandatory spending commitments be offset by savings in equal amounts;
- Setting enforceable limits on total spending to stabilize budget growth in the long-term;

- Requesting that the Congress give the President a Constitutional line-item veto. All savings from the line-item veto would be used for deficit reduction; and
- Creating Sunset and Results Commissions to review programs and their results and make recommendations about whether to retain, reform, or terminate them.

The PART: Assessing Government Efficiency and Effectiveness

The Program Assessment Rating Tool (PART) helps determine if Government programs achieve the results they are expected to deliver for the American people. Its 25 questions examine programs in four critical areas: clarity of purpose and quality of design; value of strategic planning/results-orientation; quality of management; and the level of results and accountability. The results help provide a clear understanding of whether or not the American taxpayers are getting what they pay for.

SAVINGS FROM DISCRETIONARY PROGRAM TERMINATIONS, REDUCTIONS, AND REFORMS

Major Discretionary Terminations, Reductions, and Reforms in the 2007 Budget

OVERVIEW

Terminations of Discretionary Programs in 2007
91 programs terminated in the 2007 Budget
$7.3 billion savings over 2006 Enacted

Major Program Reductions in 2007
50 programs have major reductions in the 2007 Budget
$7.4 billion savings over 2006 Enacted

Major Reform Proposals
16 programs have major reform proposals
$5.7 billion savings in 2007 over 2006 Enacted

Discretionary TOTAL for Program Terminations and Major Reductions
$20.4 billion in savings (including Reform proposals) over 2006 Enacted

PROGRAM TERMINATIONS

Discretionary Program Terminations in the FY 2007 Budget

(Budget authority in millions)

Terminations	Has the reduction been proposed before? 2004	2005	2006	2006 Request	2006 Enacted	2007 Request	2007 Request less 2006 Enacted
Department of Agriculture							
Microbiological Data Program	N	N	N	6	6	---	-6
Community Connect (Broadband) Grants	N	Y	Y	---	9	---	-9
Commodity Supplemental Food Program	N	N	N	107	107	---	-107
Research & Extension Grant Earmarks/Low Priority Programs	Y	Y	Y	---	196	---	-196
P.L. 480 Title I, Direct Credit and Ocean Freight Differential Grants	N	N	N	65	80	3	-77
Forest Service Economic Action Program	Y	Y	Y	---	10	---	-10
High Cost Energy Grants	Y	Y	Y	---	26	---	-26
Public Broadcast Grants	N/A	Y	Y	---	5	---	-5
Watershed Protection and Flood Prevention Operations	N	N	Y	---	75	---	-75
Total, Agriculture Terminations				**178**	**514**	**3**	**-511**
Department of Commerce							
Advanced Technology Program (ATP)	Y	Y	Y	---	79	---	-79
Emergency Steel Guarantee Loan Program	Y	Y	Y	-50	---	-49	-49
Public Telecom. Facilities, Planning and Construction Grants	Y	Y	Y	2	22	---	-22
Total, Commerce Terminations				**-48**	**101**	**-49**	**-150**
Department of Education							
Educational Technology State Grants	N	N	Y	---	272	---	-272
Even Start	Y	Y	Y	---	99	---	-99
High School Programs Terminations:							
Vocational Education State Grants	N	N	Y	---	1,182	---	-1,182
Vocational Education National Programs	Y	Y	Y	---	9	---	-9
Upward Bound	N	N	Y	---	311	---	-311
GEAR UP	N	N	Y	---	303	---	-303
Talent Search	N	N	Y	---	145	---	-145
Tech Prep State Grants	Y	Y	Y	---	105	---	-105
Smaller Learning Communities	Y	Y	Y	---	94	---	-94
Safe and Drug-Free Schools State Grants	N	N	Y	---	347	---	-347
Small Elementary and Secondary Education Programs:							
Parental Information and Resource Centers	Y	Y	Y	---	40	---	-40
Arts in Education	Y	Y	Y	---	35	---	-35
Elementary and Secondary School Counseling	Y	Y	Y	---	35	---	-35
Alcohol Abuse Reduction	Y	Y	Y	---	32	---	-32
Civic Education	N	N	Y	---	29	---	-29
National Writing Project	Y	Y	Y	---	22	---	-22
Star Schools	Y	Y	Y	---	15	---	-15
School Leadership	Y	Y	Y	---	15	---	-15
Ready to Teach	Y	Y	Y	---	11	---	-11
Javits Gifted and Talented Education	Y	Y	Y	---	10	---	-10
Exchanges with Historic Whaling and Trading Partners	Y	Y	Y	---	9	---	-9
Comprehensive School Reform	Y	Y	Y	---	8	---	-8
School Dropout Prevention	Y	Y	Y	---	5	---	-5
Mental Health Integration in Schools	N	N	Y	---	5	---	-5
Women's Educational Equity	Y	Y	Y	---	3	---	-3
Academies for American History and Civics	N/A	N/A	N/A	---	2	---	-2
Close-Up Fellowships	Y	Y	Y	---	1	---	-1
Foundations for Learning	N	Y	Y	---	1	---	-1
Excellence in Economic Education	N	Y	Y	---	1	---	-1
Small Higher Education Programs:							
Higher Education Demos for Students with Disabilities	Y	Y	Y	---	7	---	-7
Underground Railroad Program	Y	Y	Y	---	2	---	-2
State Grants for Incarcerated Youth Offenders	Y	Y	Y	---	23	---	-23
Small Postsecondary Student Financial Assistance Programs:							
Perkins Loan Cancellations	N	N	Y	---	65	---	-65
Leveraging Educational Assistance Programs	Y	Y	Y	---	65	---	-65
Byrd Scholarships	N	N	Y	---	41	---	-41
Thurgood Marshall Legal Educational Opportunity	Y	Y	Y	---	3	---	-3
B.J. Stupak Olympic Scholarships	Y	Y	Y	---	1	---	-1
Small Vocational Rehabilitation (VR) Programs:							
Supported Employment	Y	Y	Y	---	30	---	-30
Projects with Industry	Y	Y	Y	---	20	---	-20
VR Recreational Programs	Y	Y	Y	---	3	---	-3
VR Migrant and Seasonal Farmworkers	Y	Y	Y	---	2	---	-2
Teacher Quality Enhancement	N	N	Y	---	60	---	-60
Total, Education Terminations				**---**	**3,468**	**---**	**-3,468**

Discretionary Program Terminations in the FY 2007 Budget

(Budget authority in millions)

Terminations	Has the reduction been proposed before? 2004	2005	2006	2006 Request	2006 Enacted	2007 Request	2007 Request less 2006 Enacted
Department of Energy							
University Nuclear Energy Program	N	N	N	24	27	---	-27
Oil and Gas Research and Development	N	N	Y	20	64	---	-64
Geothermal Technology Program	N	N	N	23	23	---	-23
Total, Energy Terminations				**67**	**114**	**---**	**-114**
Department of Health and Human Services (HHS)							
CDC Preventive Health and Health Services Block Grant	N	N	Y	---	99	---	-99
Real Choice Systems Change Grants	N	N	Y	---	25	---	-25
Community Services Block Grant	N	N	Y	---	630	---	-630
Community Services Programs:							
Community Economic Development	N	N	Y	---	27	---	-27
Rural Community Facilities	Y	Y	Y	---	7	---	-7
Job Opportunities for Low-Income Individuals	N	N	Y	---	6	---	-6
Maternal and Child Health Small Categorical Grants	N	Y	Y	---	39	---	-39
Urban Indian Health Program	N	N	N	33	33	---	-33
Total, HHS Terminations				**33**	**866**	**---**	**-866**
Department of Homeland Security (DHS)							
Office of Grants and Training	N	N	N	1,854	229	---	-229
Total, DHS Major Terminations				**1,854**	**229**	**---**	**-229**
Department of Housing and Urban Development (HUD)							
HOPE VI	Y	Y	Y	-143	99	-99	-198
Total, HUD Terminations				**-143**	**99**	**-99**	**-198**
Department of the Interior							
BIA Johnson-O'Malley Assistance Grants	N	N	N	8	16	---	-16
LWCF State Recreation Grants	N	N	Y	---	28	---	-28
National Park Service Statutory Aid	N	N	Y	---	7	---	-7
Rural Fire Assistance	N	N	Y	---	10	---	-10
Total, Interior Terminations				**8**	**61**	**---**	**-61**
Department of Justice							
Byrne Discretionary Grants	Y	Y	Y	---	189	---	-189
Byrne Justice Assistance Grants	N	N	Y	---	327	---	-327
COPS Law Enforcement Technology Grants	N	Y	Y	---	128	---	-128
Juvenile Accountability Block Grants	Y	Y	Y	---	49	---	-49
National Drug Intelligence Center	N	N	Y	17	39	16	-23
State Criminal Alien Assistance Program	Y	Y	Y	---	400	---	-400
Total, Justice Terminations				**17**	**1,132**	**16**	**-1,116**
Department of Labor							---
America's Job Bank	N	N	N	20	15	---	-15
Denali Commission Job Training Earmark	N	Y	Y	---	7	---	-7
Migrant and Seasonal Farmworkers Training Program	Y	Y	Y	---	79	---	-79
Reintegration of Youthful Offenders	Y	N	Y	---	49	---	-49
Susan Harwood Training Grants (OSHA)	Y	Y	Y	---	10	---	-10
Work Incentive Grants	N	N	N	20	20	---	-20
Total, Labor Terminations				**40**	**180**	**0**	**-180**
Department of Transportation							
National Defense Tank Vessel Construction Program	N	N	Y	-75	---	-74	-74
Railroad Rehab. and Improvement Financing Loan Program	N	N	Y	---	---	---	---
Total, Transportation Terminations				**-75**	**---**	**-74**	**-74**
Environmental Protection Agency							
Unrequested Projects	Y	Y	Y	---	277	---	-277
Total, EPA Terminations				**---**	**277**	**---**	**-277**
Other Agencies							
CNCS National Civilian Community Corps	N	N	N	26	27	5	-22
CNCS President's Freedom Scholarships	N	N	N	4	4	---	-4
National Veterans Business Development Corporation	N	N	Y	---	1	---	-1
Small Business Administration Microloan Program	N	Y	Y	---	14	---	-14
Postal Service Forgone Revenue Appropriation	N	Y	Y	---	29	---	-29
Total, Other Agencies Terminations				**30**	**75**	**5**	**-70**
Total, Discretionary Program Terminations				**1,961**	**7,116**	**-198**	**-7,314**

Department of Agriculture: Discretionary Proposal
Microbiological Data Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	6	---	-6

Background

Implemented in 2001, the Microbiological Data Program (MDP) was intended to create a national database to monitor foodborne pathogens on selected perishable agricultural commodities, specifically fruits and vegetables. At the time of implementation, the fruit and vegetable industry opposed the creation of such a program at the Agricultural Marketing Service (AMS), instead supporting similar programs that are designed to detect food-borne pathogens at the Food and Drug Administration (FDA). In addition, the industry faulted the program's lack of traceback necessary to respond to contaminated samples among perishable commodities with a short shelf life.

Administration Proposal

The 2007 Budget proposes to terminate the MDP, a reduction of $6 million from the 2006 enacted level. AMS has received appropriated funds since 2001 for the MDP to collect data regarding the prevalence of food-borne pathogens on domestic and imported produce. AMS shares the data with other Federal agencies, such as the FDA, for risk assessment purposes; however, it is difficult to determine to what extent, if at all, the MDP data is used to support risk assessment. Secondly, the MDP mimics other programs that collect data on foodborne pathogens but does not allow sample traceback in the event that contaminates are found in the food supply. Finally, guidance on good agricultural handling and manufacturing practices is designed to mitigate contamination of produce and further diminish the need for the program.

Department of Agriculture: Discretionary Proposal
Community Connect (Broadband) Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	9	---	-9

Background

The purpose of the Broadband Grant Program is to provide broadband transmission service that fosters economic growth and delivers enhanced educational, health care, and public safety services. Grants would be used for the deployment of broadband transmission service to extremely rural, lower-income communities on a ‘‘community-oriented connectivity’’ basis. This program is duplicative of the Broadband Loan Program authorized in the 2002 farm bill. The areas eligible for grants are also eligible for low cost broadband loans through the Rural Utilities Service (RUS).

Administration Proposal

The 2007 Budget proposes no new funding for Broadband grants. Funds are available through the RUS's broadband loan program to provide broadband service to rural areas. Using loans to provide support is more efficient than grants because loans allow for more support (loan level) with fewer appropriated dollars. Communities can obtain RUS loans, which, due to the low interest, the communities are able to repay.

Department of Agriculture: Discretionary Proposal
Commodity Supplemental Food Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	107	---	-107

Background

The Commodity Supplemental Food Program (CSFP) provides a monthly food package to low-income women, infants, children and elderly in selected sites in 32 States and the District of Columbia, and on two Indian reservations. Many recipients are eligible for other Federal nutrition programs. In the limited areas where it is located, CSFP overlaps with the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) and the Food Stamp Program. By contrast, WIC and Food Stamps provide nationwide access to generally larger and more flexible nutrition benefits for all eligible individuals who apply.

Administration Proposal

Because of the duplicative nature and limited scope, the 2007 Budget proposes to eliminate the CSFP. Instead, the Budget provides funding to serve all eligible individuals who apply for WIC and provides resources for outreach and temporary benefits to help elderly households transition from CSFP to the Food Stamp Program.

Department of Agriculture: Discretionary Proposal
Research and Extension Grant Earmarks and Low-Priority Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	196	---	-196

Background

The Congress has provided funding for several hundred research and extension grants through earmarks to specific locations and for specific purposes, often for work that may not be in the national interest or a Federal responsibility. Examples of these include: asparagus technology and production; jointed goatgrass control; dairy and meat goat research; and alternative salmon products. Many of these projects have received continuous funding for more than a decade. Despite the fact that annual budget requests have proposed not to continue such earmarks, the Congress has continued to provide funding at increasingly higher levels in recent years, from $66 million in 1994 to $184 million in 2006. These earmarked grants and programs use valuable taxpayer resources that could be devoted to higher priorities, such as competitive research grants that would respond to national needs.

Administration Proposal

Consistent with prior budget requests, the Administration is proposing to discontinue funding for all 2006 enacted earmarks, as well as several lower priority programs that do not represent the most effective use of Federal dollars. The additional $12 million over the enacted level proposed for termination represents other lower priority programs. The Administration's Budget redirects a portion of these funds to competitive, peer reviewed grants. For example, the National Research Initiative, USDA's main discretionary competitive grants program would increase from $181 million to $248 million. Such grants can be targeted to national priority needs.

Department of Agriculture: Discretionary Proposal
P.L. 480 Title I Direct Credit and Ocean Freight Differential Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	80	3	-77

Background

The P.L. 480 Title I program funds non-emergency food aid in the form of low interest loans used to purchase U.S. commodities. The demand for food aid loans has significantly declined – only two Title I loans were made in 2005. The decline in demand for food aid on credit terms has allowed USDA to use most of the Title I funding for Food for Progress (FFP) grants, which can be carried out with P.L. 480 Title I funds. FFP grants are non-emergency food aid and the program has its own source of mandatory Commodity Credit Corporation (CCC) funding from the 2002 Farm Bill. While there has been declining demand for food aid loans, there has been a growing demand on the United States to respond to emergency global food needs under P.L. 480 Title II. As a result of the increased emergency food aid needs compared to declining demand for concession loans, the 2007 Budget does not include funding for P.L. 480 Title I except for a small amount ($3 million) to cover the administrative costs of the existing Title I loan portfolio. Funding for P.L. 480 Title II is increased by $80 million to $1,218 million.

Administration Proposal

Due to continued and increased demand for emergency food aid, the 2007 Budget scales back concessional loans and grants under Title I. The Budget proposes no new funding for Title I, except three million dollars for the administrative costs of handling the existing Title I $8 billion loan portfolio for food aid loans from prior years. Although no additional funding is requested for the Title I program, the Budget increases appropriated funding for the Title II donations program by $80 million above the 2006 enacted level. This will allow an increased share of U.S. foreign food assistance to be programmed to the most critical emergency needs. The FFP grant program will continue in 2007 with mandatory funding provided through CCC. The 2007 CCC budget baseline assumes a program level of $161 million for Food for Progress grant agreements. Increased funding will go to similar higher priority programs.

Department of Agriculture: Discretionary Proposal
Forest Service Economic Action Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	10	---	-10

Background

The Economic Action Program provides technical and financial assistance to communities and groups to enhance rural economies through the utilization of forest and related natural resources. Established by the 1990 Farm Bill, the Economic Action Program is highly earmarked by Congress and is duplicative of other programs within the United States Department of Agriculture (USDA).

Administration Proposal

The 2007 Budget proposes to terminate the Forest Service's Economic Action Program. It is duplicative of other USDA Rural Development programs that address priority needs in rural areas through assistance to forest-based industries, such as Business and Industry guaranteed loans; Intermediary Relending Program; and Cooperative Development Grants. In addition, the President's Management Agenda calls for significant increases in stewardship contracting that benefits local businesses by allowing private companies, communities and others to retain forest and rangeland products in exchange for the service of thinning trees and brush and removing dead wood. This fosters a public/private partnership to restore forest and rangeland health by giving those who undertake the contract the ability to invest in equipment and infrastructure.

Department of Agriculture: Discretionary Proposal
High Cost Energy Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	26	---	-26

Background

High Cost Energy grants are for areas where the cost to deliver energy is significantly higher than the national average. Only Alaska, Hawaii and a few isolated areas within the United States qualify for the program. The goals of the High Cost Energy Grant program are duplicative and there are more effective programs that can be utilized such as the Rural Utilities Service's (RUS) electric loan program. The areas eligible for grants are also eligible for low cost electric loans through RUS.

Administration Proposal

The 2007 Budget proposes no new funding for High Cost Energy Grants. Funds are available through the RUS electric loan program used to support the provision of electric service in high cost areas. Using loans to provide support is more efficient than using grants because loans allow for more support (loan level) with fewer appropriated dollars. Low interest loans through RUS would help lower utility rates.

Department of Agriculture: Discretionary Proposal
Public Broadcast Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	5	---	-5

Background

The purpose of the Public Broadcast Grant Program is to finance the conversion of television services from analog to digital broadcasting for public television stations serving rural areas. These same organizations are already eligible for funding from the Corporation for Public Broadcasting, which is a non-profit that receives federal funding.

Administration Proposal

The 2007 Budget proposes no new funding for Public Broadcast Grants. This program is duplicative of other federally supported programs.

Department of Agriculture: Discretionary Proposal
Watershed Protection and Flood Prevention Operations

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	75	---	-75

Background

In the 2004 Budget, the Office of Management and Budget compared the cost effectiveness of the Corps of Engineers, Natural Resources Conservation Service (NRCS), and Federal Emergency Management Agency flood damage reduction programs. Evaluation of projects completed over a five-year period demonstrated that NRCS's program provided the fewest benefits per dollar. The Administration supports cancellation of the program to help fund higher priority and more cost effective programs.

The Watershed Protection and Flood Prevention Operations program provides technical and financial assistance to local communities to plan, design, and construct flood prevention, water supply, and water quality improvement projects. By agreement with the Army Corps of Engineers, this program funds only operations in small, rural watersheds and in communities with small populations. The NRCS has helped to construct thousands of dams and other flood control projects across the country over the program's 60-year history.

Administration Proposal

The 2007 Budget proposes to terminate NRCS's Watershed Protection and Flood Prevention Operations Program. The program funds local, and in many cases, privately-owned flood prevention and water improvement projects that are not Federal priorities. In addition, an OMB analysis in the 2004 Budget found that NRCS's program was the least cost effective Federal flood damage reduction program. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority programs.

Department of Commerce: Discretionary Proposal
Advanced Technology Program (ATP)

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	79	---	-79

Background

The Advanced Technology Program (ATP) is a grant program for businesses that was intended to develop new technologies for commercial use. A PART analysis for this program in 2002 noted that large shares of ATP funding have gone to major corporations, and that past Government Accountability Office studies found projects often have been similar to those conducted by firms not receiving such subsidies.

Administration Proposal

The program is no longer warranted in today's research and development environment, therefore the 2007 Budget terminates ATP. Federal subsidies to industry for ATP projects are not appropriate or necessary, given the growth of venture capital and other financing sources for high-tech projects and the profit incentive private entities have to commercialize new technologies. This proposal is consistent with recent Congressional action on ATP, which provided $136 million in 2005 with no funding for new grants, and $79 million in 2006 to cover existing grants and enable the program's close-out.

Department of Commerce: Discretionary Proposal
Emergency Steel Guarantee Loan Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	---	-49	-49

Background

The Emergency Steel Guarantee Loan Program (ESGLP) was enacted in 1999 to help steel firms suffering financial losses from low prices and the inability to obtain financing for continued operations and facility re-investment. However, since 2003, the Administration has proposed to rescind funds from the program as it has become an unwanted corporate subsidy and exposes taxpayers to significant costs from loan guarantee defaults. Further, demand for the guarantees has been much lower than expected.

Beginning in 2004, international demand for steel increased significantly and numerous consolidations occurred in the domestic steel production market. The industry's recovery is further evidence that ESGLP is no longer needed.

Administration Proposal

The Administration is proposing to rescind all remaining credit subsidy balances for the ESGLP, as the financing assistance that these funds support is no longer needed due to the recovery of the industry.

Department of Commerce: Discretionary Proposal
Public Telecommunications Facilities, Planning and Construction Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority............................	22	---	-22

Background

The Public Telecommunications Facilities, Planning and Construction Program (PTFP) was created in the early 1960s to assist in the planning and construction of public telecommunications facilities through matching grants. The Commerce Department's National Telecommunications and Information Administration has administered the program since 1979.

Since 2000, almost 70 percent of PTFP awards have supported public television stations' conversion to digital broadcasting. Funding for public television's conversion to digital is available elsewhere. The Corporation for Public Broadcasting has awarded grants totaling approximately $115 million to assist public television stations in their efforts to transition to digital broadcasting, and has $35 million available to assist broadcasters' conversions in 2006.

Administration Proposal

The Administration proposes to terminate PTFP grant funding in the 2007 Budget. The Administration proposes instead that $38 million of the Corporation for Public Broadcasting's already-enacted 2007 funding be made available for public television's digital transition, in order to assist the remaining broadcasters that are not yet meeting Federal Communications Commission (FCC) mandates. Most public broadcasters should complete the transition to digital broadcasting in fiscal year 2006, in order to comply with the rules of the FCC. Termination of PTFP appropriations will reduce redundancy in digital transition funding for public broadcasters.

Department of Education: Discretionary Proposal
Educational Technology State Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	272	---	-272

Background

The Educational Technology State Grants program provides funding for States and local school districts to utilize technology to improve instruction and student learning. It was created in the No Child Left Behind Act of 2001 as a consolidation of disparate educational technology programs. Funding supports teacher training in educational technology, technology deployment, and a host of other activities designed to utilize educational technology to improve student achievement.

While the program was created to better focus educational technology investments on student achievement, it is not clear that Educational Technology State Grants has been successful in accomplishing this mission. A recent PART assessment of this program found that there are not yet enough data available to determine the program's impact on improving student academic achievement.

Educational technology may have a positive impact on student achievement, but it is not necessary to have a stand-alone Federal program solely dedicated to this purpose. States can continue to support similar activities through other, larger Department of Education programs such as Title I Grants to Local Educational Agencies ($12.9 billion) and Teacher Quality State Grants ($2.9 billion).

Congress decreased funding for this program by $224 million in 2006, a 42-percent decrease from the 2005 level.

Administration Proposal

The 2007 Budget proposes to terminate the Educational Technology State Grants program and redirect its funding to higher priority programs that are more closely focused on student achievement and have a more rigorous accountability structure in place.

Department of Education: Discretionary Proposal
Even Start

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	99	---	-99

Background

Launched as a small demonstration program in 1988, Even Start combines early childhood education, adult education, and parenting classes into "family literacy" programs for low-income children and their parents. However, three national evaluations of the program, including two with rigorous random control trial designs, show that Even Start is not effective. The children and adults who participate in the program do not make greater literacy gains than non-participants. The most recent evaluation concluded that, while Even Start participants made small gains, they did not perform better than the comparison group that did not receive Even Start services. In addition, the scores of Even Start participants after one year of participation in the program were very low. For example, Even Start children scored at the 6th percentile when tested at the end of the program on a measure of vocabulary knowledge and Even Start parents scored at the 3rd grade level when tested at the end of the program on a measure of reading comprehension. Even Start received an Ineffective rating on the PART in 2004.

In 2004, the Administration proposed to fund only continuation awards, based on PART findings and the evaluations, and to begin phasing out the program. In 2005, the Administration proposed termination. Congress provided the first funding cut for the program in 2005 (-$22 million), reducing it from $247 million to $225 million. The Congress reduced the program further in 2006 to $99 million.

Administration Proposal

In 2007, the Administration proposes to eliminate the Even Start program and redirect funds to programs that are likely to be more effective at improving early childhood education including Title I. Even Start's Ineffective PART rating and its poor results on national evaluations over a number of years provide strong justification for terminating the program.

Department of Education: Discretionary Proposal
High School Program Terminations

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	2,150	---	-2,150

Background

The following seven narrow-purpose programs fund high school activities.

Vocational Education (Voc Ed) State Grants and Voc Ed National Activities (2006 budget authority: $1,191 million) provide grants to States to support high school and community college activities related to vocational and technical education, as well as national-level assessment, evaluation, dissemination, and technical assistance. About two-thirds of the funding supports high school activities and the remainder support postsecondary technical training. In its Final Report to the Congress in June 2004, the National Assessment of Vocational Education found no evidence that high school vocational courses themselves contribute to academic achievement or college enrollment. Under the PART, Vocational Education State Grants was rated Ineffective because it has produced little or no evidence of improved outcomes for students despite decades of increasing Federal investment. While the Administration has urged Congress to reform the Voc Ed program, neither the House nor Senate reauthorization bills adopted significant reforms to the current program.

Upward Bound (UB) (2006 budget authority: $311.1 million) makes competitive grants to institutions of higher education to help low-income secondary school students graduate from high school and pursue postsecondary education through activities such as tutoring and guidance. Based on a lack of performance data and findings from a Mathematica evaluation, UB received an Ineffective PART rating. The study indicates that UB has limited overall effects on high school completion and college enrollment because it has not sufficiently targeted the high-risk students who are most likely to benefit from the program.

GEAR UP (2006 budget authority: $303.4 million) makes competitive grants to States and partnerships involving institutions of higher education and secondary schools. Although it provides services similar to Upward Bound, GEAR UP supports entire cohorts, or classes, of students in grades 7 through 12. No data exists on GEAR UP's success in achieving its long-term performance goals. While this program was rated as Adequate, the Administration's High School Reform initiative would give States and school districts more flexibility to allocate funds for activities that meet the needs of their students.

Talent Search (2006 budget authority: $145.3 million) makes competitive grants to institutions of higher education that provide academic, career and financial counseling to low-income middle and high school students to increase their likelihood of pursuing a postsecondary degree. While this program was rated as Moderately Effective, the Administration's High School Reform initiative would give States and school districts more flexibility to allocate funds for activities that meet the needs of their students.

Tech Prep State Grants (2006 budget authority: $104.8 million) supports partnerships that develop structural links between secondary and postsecondary institutions to integrate academic and vocational education. About two-thirds of the funds support high school activities. The PART found that the program could not demonstrate results based on a series of national evaluations indicating that the program provides no measurable advantage for high school students in terms of high school completion, postsecondary enrollment, and academic achievement.

Smaller Learning Communities (2005 budget authority: $93.5 million) makes competitive grants to support the creation or expansion of smaller learning communities in large high schools. In 2005, this program was assessed using the PART, which rated the program as Results Not Demonstrated. The PART findings noted the lack of rigorous evaluation data about the effects of smaller schools on performance and called attention to the diminished need for a specific Federal program to support the creation of smaller learning communities. Since 2000, non-Federal funds for such purposes has become readily available through the Carnegie Corporation of New York and the Bill and Melinda Gates Foundation, among others, that support multi-year high school reform initiatives that focus, in part, on creating smaller learning communities. In addition, records on the most recent competition indicate that the grant awards were sharply concentrated geographically, with Local Educational Agencies in two States (California and Florida) receiving almost half of the available funds. Interest in the program thus appears to be narrowly concentrated.

Administration Proposal

The Administration proposes to consolidate funding from the seven narrow-purpose programs described above that support a particular high school intervention strategy and to redirect it to the President's High School Reform program. While these programs were intended to support promising educational approaches, most lack strong accountability mechanisms and have largely failed to demonstrate measurable results despite decades and billions of dollars of investment. Furthermore, because the Federal Government sets annual spending levels for each of these programs, States and school districts do not have the flexibility and control to allocate funds to activities they determine will best meet the needs of at-risk students.

These programs would be replaced by the new $1.5 billion High School Reform program which will provide States with flexible funding to support a wide range of effective interventions. In return for this flexibility, States would be held accountable for improving student achievement and graduation rates. These new initiatives would augment new or expanded high school activities that are being proposed by the President, including $100 million for Striving Readers and $380 million in new funding for programs that are part of America's Competitiveness Initiative.

The strategies supported by the existing programs – vocational training, mentoring, and partnerships with institutions of higher education to prepare students for college – would be allowable activities under the new High School Reform program. The Administration expects that States and localities would continue those projects supported under existing programs if the projects are performing effectively and reaching students who need them most. During the initial years of the program, the Administration would honor its commitment to fund multi-year continuation awards under the current programs.

Department of Education: Discretionary Proposal
Safe and Drug-Free Schools State Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	347	---	-347

Background

The Safe and Drug-Free Schools (SDFS) State Grants program provides formula grants to States and school districts for an array of activities intended to reduce youth crime and drug-abuse. Even though the State grant program is nearly 20 years old, it cannot demonstrate it has had a positive impact on reducing drug use and violence. A 2001 RAND study determined that the structure of the program is fundamentally flawed. It concluded that SDFS State Grants, which distributes funds according to a formula, are spread too thinly to support quality interventions. SDFSC State Grants provide about 64 percent of local educational agencies with allocations of less than $10,000 (amounts typically too small to mount comprehensive and effective drug and school safety programs). The PART rated this program as Ineffective in 2004. This program received its first significant reduction (-$28 million) in 2004 and was further reduced in 2006 (-$91 million)

Administration Proposal

In 2007, the Administration proposes to terminate the SDFS State Grants program, and redirect a portion of these funds to SDFS National Programs. As a result, funding for SDFS National Programs will increase by $56 million, to support projects with measurable outcomes and strong accountability mechanisms to help ensure that Federal funding produces positive results This includes an increase of $5 million for the school-based Drug Testing initiative.

Department of Education: Discretionary Proposal
Small Elementary and Secondary Education Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	278	---	-278

Background

The following 19 small elementary and secondary education grant programs are narrow-purpose and have no demonstrated results. Many of the activities supported by these programs can be supported under large formula grants if localities determine the need to be pressing. Others support activities that do not fill an appropriate Federal role. While most of these programs are intended to support laudable purposes, their design has not allowed them to meet their goals. Many of them lack performance objectives and measures and few have rigorous evaluations, preventing the Department of Education from assessing program effectiveness and identifying successful intervention strategies that could have broad national impact. Further, most of these programs lack administrative mechanisms for holding grantees accountable for achieving results, and several earmark funds for specific service providers rather than running true competitions. These programs differ from many other programs authorized under the No Child Left Behind (NCLB) Act, such as Title I and Reading First, which have a strong accountability framework and encourage the use of scientifically based interventions, improving the prospects for participants to achieve positive and measurable outcomes.

Parental Information and Resource Centers (2006 budget authority: $39.6 million) provide training, information, and support to State and local educational agencies and other organizations that carry out parent education and family involvement programs. Since parent education and support activities are required and funded under other NCLB programs such as Title I, a separate program for this purpose is not necessary.

Arts in Education (2006 budget authority: $35.3 million) makes non-competitive awards to VSA Arts and the John F. Kennedy Center for the Performing Arts as well as competitive awards for demonstration projects and leadership activities to encourage the integration of arts into the school curriculum. The activities funded under this program can be funded under other authorities. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

Elementary and Secondary School Counseling (2006 budget authority: $34.7 million) makes grants to support elementary and secondary school counseling programs. All appropriations below $40 million must be used for elementary school counseling. States and school districts can carry out similar activities under State Grants for Innovative Programs.

Alcohol Abuse Reduction (2006 budget authority: $32.4 million) supports programs to reduce alcohol abuse in secondary schools. These activities are already supported by the Safe Schools/Healthy Students program and could be supported by the $52 million in new Safe and Drug Free School National Activities funding in the President's 2007 Budget that is dedicated to new research-based drug prevention and school safety programs.

Civic Education (2006 budget authority: $29.1 million) supports several non-competitive grants to organizations that promote civic responsibility through teacher training and instructional materials, and educational exchanges with developing democracies. The elimination of this program is consistent with the Administration's policy of terminating small narrow-purpose programs with limited impact, in order to increase resources for higher priority programs. In addition given the popularity of this program and its successful private fundraising, the Administration believes this program would continue without Federal support.

National Writing Project (2006 budget authority: $21.5 million) provides a non-competitive grant to a nonprofit educational organization that promotes K-16 teacher training programs in the teaching of writing. The 2006 PART assessment rated this program as Results Not Demonstrated. Funds for training teachers in all academic subjects are provided under the Teacher Quality State Grants program.

Star Schools (2006 budget authority: $14.8 million) supports a variety of telecommunications partnerships that utilize technology to deliver educational content electronically (commonly referred to as distance education). An evaluation was initiated in 1999 but yielded no reliable findings of program effectiveness and was never completed. The activities funded under this program can be funded under other authorities, such as the Improving Teacher Quality State Grants program. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

School Leadership (2006 budget authority: $14.7 million) supports recruiting, training, and retaining principals and assistant principals. The activities funded under this program can be funded under other authorities. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

Ready to Teach (2006 budget authority: $10.9 million) supports competitive grants to nonprofit telecommunications entities to carry out programs to improve teaching in core curriculum areas, and to develop and distribute innovative educational and instructional video programming. Resources are already available through the Teacher Quality State Grants program.

Javits Gifted and Talented Education (2006 budget authority: $9.6 million) supports activities to help high schools meet the special educational needs of gifted and talented students. Program funds primarily support research and demonstration grants; this function can be carried out under the Department's Institute of Education Sciences research.

Exchanges with Historic Whaling and Trading Partners (2006 budget authority: $8.9 million) provides non-competitive grants to support culturally based educational activities for Alaska Natives, Native Hawaiians, and children and families of Massachusetts, and (as amended by

Public Law 109-149) any Federally recognized Indian tribe in Mississippi. The program earmarks funds for specific entities serving these populations. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

Comprehensive School Reform (CSR) (2006 budget authority: $7.9 million) program supports research-based reform models that address multiple aspects of schools and instruction, in particular in low-performing schools. In 2004, the Administration used the PART to analyze the program and found it to be duplicative of several aspects of Title I Grants to Local Educational Agencies, the largest NCLB program. For example, NCLB allows significantly more schools than under the prior law to use Title I funds to carry out the kinds of whole-school reforms supported by the CSR program. In addition, within Title I funding, there is a set-aside of about $520 million specifically for improvement activities in low-performing schools, the same as the highest priority grant recipients in the CSR program. Data indicate that CSR is unnecessary as a catalyst for change. In the 2000-2001 school year, about 30,000 schools were implementing research-based school reform models, yet fewer than 10 percent were using CSR funds to do so. In 2006, Congress reduced funding for this program by $197 million.

School Dropout Prevention (2006 budget authority: $4.9 million) supports dropout prevention programs in schools and districts with above-average dropout rates. Districts wishing to implement drop-out prevention programs may use funds from Title I Grants to Local Educational Agencies (LEAs), State Grants for Innovative Programs, or the new High School Reform program. At the 2007 request level, States would be required to reserve an estimated $100 million from their allocations under Title I Part A to support dropout prevention programs in LEAs and other activities.

Mental Health Integration in Schools (2006 budget authority: $4.9 million), first funded in 2005, provides grants to States and school districts to support collaborative efforts between school systems and mental health systems. The activities funded under this program can be funded under other authorities. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

Women's Educational Equity (2006 budget authority: $2.9 million) supports activities promoting educational equity of girls and women. States and school districts can carry out similar activities under State Grants for Innovative Programs.

Academies for American History and Civics (2006 budget authority: $2.0 million) supports intensive workshops for teachers and students in the areas of history and civics. The activities funded under this program can be funded under other authorities. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

Close-Up Fellowships (2006 budget authority: $1.5 million) provides a non-competitive grant to the Close Up Foundation to provide fellowships to low-income students and their teachers to finance their participation in one-week Washington, D.C., seminar programs to learn about the Federal Government. In 1997, Congress requested that the Close-Up Foundation provide a plan to continue its fellowships without Federal funding. In the succeeding years, the foundation surpassed its private sector fundraising goals. Given the popularity of this program and its successful private fundraising, the Administration believes this program would continue without Federal support.

Foundations for Learning (2006 budget authority: $1.0 million), first funded in 2003, provides grants for comprehensive services to help children under seven who have multiple at-risk characteristics – including exposure to violence or abuse, low birth weight, and cognitive deficits – be prepared to enter school. Since IDEA, Head Start, and Title I all help at-risk pre-school children enter school ready to learn, a separate program for this purpose is not necessary.

Excellence in Economic Education (2006 budget authority: $1.5 million) supports a competitive grant to a single non-profit educational organization to promote economic and financial literacy for K-12 students. The activities funded under this program can be funded under other authorities. The elimination of this program is consistent with the Administration's policy of terminating small, narrow-purpose programs with limited impact in order to fund higher priorities.

Administration Proposal

The Administration proposes to terminate these 19 programs. Termination of these narrow-purpose programs does not mean that Federal support is no longer available for these activities. States and school districts that view these issues as a high priority can support them with funds provided under broad-purpose Federal education programs such as Title I, Teacher Quality State Grants, and State Grants for Innovative Programs.

Department of Education: Discretionary Proposal
Small Higher Education Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	9	---	-9

Background

The following programs support activities that have accomplished their intended missions and no longer require additional Federal investment.

Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities (2006 budget authority: $6.9 million) funds technical assistance and professional development activities for faculty and administrators in institutions of higher education in order to improve the quality of education for students with disabilities. This program has achieved its primary goal of funding model demonstration projects. Similar projects can and do receive funding under the Fund for the Improvement of Postsecondary Education.

Underground Railroad Program (2006 budget authority: $2 million) provides grants to non-profit educational organizations to establish facilities that house, display, and interpret artifacts relating to the history of the Underground Railroad, as well as to make the interpretive efforts available to institutions of higher education. This program was not intended to provide a permanent source of funding, and prior grants have succeeded in spreading the history of the Underground Railroad through websites, expanded library collections, and private funding and endowment funds to support ongoing operations.

Administration Proposal

The Administration proposes to terminate funding in 2007 because these two small higher education grant programs have achieved their purpose and are no longer necessary.

Department of Education: Discretionary Proposal
State Grants for Incarcerated Youth Offenders

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	23	---	-23

Background

The State Grants for Incarcerated Youth Offenders program provides formula grants to State correctional agencies intended to assist and encourage incarcerated youth to acquire functional literacy skills and life and job skills.

Administration Proposal

The Administration proposes to terminate this small, narrow purpose program that has not demonstrated results. While the program is intended to support laudable purposes, it has not been evaluated and does not have strong administrative mechanisms for holding grantees accountable for outcomes.

Moreover, the President's Prisoner Re-entry Initiative at the Department of Labor can serve many of the needs of this population. Originally proposed in the 2005 Budget, this four-year initiative will offer a range of job training, housing, and mentoring services and harness the experience of faith-based and community organizations. As part of their transition back to society and a law-abiding life, ex-offenders need full access to the job training, housing, and mentoring services provided by faith-based and community organizations – access that can be accomplished through expanded choice. The 2007 Budget includes $20 million in the Department of Labor, $25 million in the Department of Housing and Urban Development, and $15 million in the Department of Justice for the President's Prisoner Re-entry Initiative to address the problems faced by ex-offenders in a more effective way.

Department of Education: Discretionary Proposal
Small Postsecondary Student Financial Assistance Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	174	---	-174

Background

The following five programs provide financial assistance to selected groups of postsecondary students. These programs have either served their mission or are duplicative of other Federal, State, local, or non-profit activities.

Perkins Loan Cancellations (2006 budget authority: $65.5 million) provide loan forgiveness to certain Perkins Loan borrowers in exchange for undertaking certain public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing. In 2006, the $65.5 million Federal appropriation reimburses institutional revolving funds for these loan cancellations. The PART analysis conducted in 2004 rated the Perkins Loan program as Ineffective. It found that this program is duplicative of the direct and guaranteed student loan programs and is not well targeted to the neediest students. Eligible Perkins loans would continue to be cancelled but no appropriations would be made to replenish the institutional revolving funds.

Leveraging Educational Assistance Program (LEAP) (2006 budget authority: $65.0 million) has accomplished its objective of stimulating all States to establish need-based postsecondary student grant programs, and Federal incentives for such aid are no longer required. The program received a PART rating of Results Not Demonstrated. State grant levels have expanded greatly over the years, and most States significantly exceed the statutory matching requirements.

Byrd Scholarships (2006 budget authority: $40.6 million) are intended to promote academic excellence through grants to States which support scholarship assistance for up to four years to high-performing high school students entering an undergraduate course of study. The program received a PART rating of Results Not Demonstrated and does not have a need-based component unlike other Department of Education postsecondary aid programs.

Thurgood Marshall Legal Educational Opportunity (2006 budget authority: $2.9 million) provides minority, low-income, or disadvantaged college students with information, preparation, and financial assistance to help them gain access to and complete law school. This program is largely duplicative of similar assistance that is available through the Department's traditional postsecondary student financial aid programs.

B.J. Stupak Olympic Scholarships (2006 budget authority: $1.0 million) provide financial assistance to athletes who are training at Olympic Training centers and who are pursuing a postsecondary education. This program received a PART rating of Results Not Demonstrated.

Athletes may still receive grant, work-study, and loan assistance through the Department's traditional postsecondary student aid programs.

Administration Proposal

In 2007, the Administration proposes to terminate these five small postsecondary student financial assistance programs that have either achieved their purpose or are duplicative of the more than $80 billion in grants, loans, and work study made available by the Department of Education each year.

Department of Education: Discretionary Proposal
Small Vocational Rehabilitation Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	54	---	-54

Background

The following programs provide life skills or job training services to individuals with disabilities. Most are duplicative of the $2.7 billion Vocational Rehabilitation (VR) State grant program.

Supported Employment (2006 budget authority: $29.7 million) was created in 1986 to encourage VR agencies to provide supported employment services to individuals with significant disabilities. At the time, supported employment was a new practice to employ individuals who traditionally would not be employed in integrated settings. Today, VR agencies recognize and utilize supported employment practices as an effective strategy to help individuals with significant disabilities obtain jobs. In fact, since 1996 more individuals received supported employment services through VR State Grant funding than through the separate Supported Employment funding. The Supported Employment program has achieved its original purpose.

Projects with Industry (PWI) (2006 budget authority: $19.5 million) help individuals with disabilities obtain employment and advance their career in the competitive labor market. PWI is duplicative, as the VR State Grants program provides the same services to the same target populations.

In 2006, Congress reduced funding for the Projects with Industry and Supported Employment programs. Supported Employment was reduced from $37.4 million to $29.7 million and Projects with Industry was reduced from $21.6 million to $19.5 million.

VR Recreational Programs (2006 budget authority: $2.5 million) supports projects that provide recreation and related activities for individuals with disabilities to aid in their employment, mobility, independence, socialization, and community integration. The program has limited impact, and State and local agencies and the private sector can more appropriately provide these services.

VR Migrant and Seasonal Farmworkers (2006 budget authority: $2.3 million) supports rehabilitation services to migratory workers with disabilities. Originally established as a demonstration program in the mid-1970s, the program no longer needs to demonstrate the benefits of serving migratory workers. The much larger VR State grants program serves the same population.

Administration Proposal

In 2007, the Administration proposes to terminate VR Migrant and Seasonal Farmworkers, Projects with Industry, and Supported Employment, since the populations served and services provided under these programs are served under VR State Grants. In addition, the Administration proposes to terminate the VR Recreational Program because participants can be adequately served by State, local, and private entities.

Department of Education: Discretionary Proposal
Teacher Quality Enhancement Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	60	---	-60

Background

The Teacher Quality Enhancement program, first funded in 1998, provides support for multiple types of activities, including Recruitment and Partnership Grants that support collaboration between schools of education and local school districts to recruit and train teachers to serve in high-need schools, and Grants to States for reforming their teacher preparation and accreditation systems.

In 2004, the Administration completed a PART assessment of this program and gave it a rating of Results Not Demonstrated, due to its lack of performance information and program management deficiencies.

The Congress has reduced funding for this program by $29 million over the prior three years, from $89 million in 2004 to $60 million in 2006.

Administration Proposal

Because the Teacher Quality Enhancement program has failed to demonstrate results and many of its activities can be supported under a number of other programs within the Department of Education, including the Improving Teacher Quality State Grants program, the Administration proposes to eliminate funding for it in 2007. The Budget includes funding for other activities designed to improve teacher quality, including a $90 million increase for the Advanced Placement program, which would offer incentives and training to teachers to become highly qualified to teach Advanced Placement and International Baccalaureate. The Budget also continues support for Transition to Teaching and Troops to Teachers and reproposes an Adjunct Teacher Corps initiative to bring more qualified mid-career professionals into the classroom.

Department of Energy: Discretionary Proposal
University Nuclear Energy Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	27	---	-27

Background

The University Nuclear Energy Program was designed to address declining enrollment levels among U.S. nuclear engineering programs. Since the late 1990s, enrollment levels in nuclear education programs have tripled. In fact, U.S. enrollment levels for 2005 have reached upwards of 1,500 students, the program's target level for the year 2015.

Administration Proposal

Enrollment target levels of the program have already been met and students no longer need to be encouraged to enter into nuclear related disciplines. In addition, the number of universities offering nuclear-related programs also has increased. These trends reflect renewed interest in nuclear power. Students will continue to be drawn into this course of study and universities, along with nuclear industry societies and utilities, will continue to invest in university research reactors, students, and faculty members. Consequently, Federal assistance is no longer necessary, and the 2007 Budget proposes termination of the University Nuclear Energy Program. This termination is also supported by the fact that the program was unable to demonstrate results from its activities when reviewed using the PART, supporting the decision to spend taxpayer dollars on other priorities. The 2007 Budget proposes $3 million to support fuel and other services for universities under the Research Reactor Infrastructure program.

Department of Energy: Discretionary Proposal
Oil and Gas Research and Development

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	64	---	-64

Background

The Oil and Gas research and development (R&D) programs develop technologies that industry can use to reduce the cost of exploration and production of oil and natural gas reserves. During consideration of the energy bill in 2005, the President stated that “energy companies do not need taxpayers’-funded incentives to explore for oil and gas.”

The programs focus on incremental and evolutionary technology advances that oil and gas companies have the resources and incentives to conduct, which is not in accord with the Administration’s R&D Investment Criteria. The Oil and Gas R&D programs were rated as ineffective in the PART analysis of program performance, based largely on their inability to demonstrate clear results of the research efforts.

Administration Proposal

The 2007 Budget provides for the orderly termination of the Oil and Gas R&D programs. These R&D activities are more appropriate for the private-sector oil and gas industry to perform, and the programs have not demonstrated results, as identified in the PART review. The industry has the financial incentives and resources to develop new ways to extract oil and gas from the ground more cheaply and safely. The orderly termination of the programs will be structured to avoid disruption to the Federal workforce and minimize contractual obligations in 2007.

Department of Energy: Discretionary Proposal
Geothermal Technology Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	23	---	-23

Background

Research supported by the Geothermal Technology Program has contributed to reduced cost of geothermal power to the point that it is now a mature technology. The 2005 Energy Policy Act (EPAct) amended the Geothermal Steam Act of 1970 in ways that should spur development of geothermal resources without the need for additional subsidized Federal research to further reduce costs. Specifically, EPAct changed the royalty structure for leasing on Federal land from a 50/50 State/Federal split to a 50/25/25 split for State/Federal/local, providing an incentive for local governments to attract geothermal resource developers. EPAct also streamlined leasing requirements, which lowers costs for potential developers. In addition, EPAct mandated that the U.S. Geologic Survey conduct a detailed resource assessment, since the last assessment was conducted in 1971. Resource mapping technology has greatly improved and should enable developers to more accurately identify areas for potential geothermal resource development. This should lower geothermal power costs because exploration is a major cost factor. Finally, EPAct extended from 2006 to 2008 the production tax credit (1.5 cents per kilowatt-hour, indexed for inflation) for electricity produced from geothermal resources. Geothermal power facilities in place before January 1, 2008, may claim the credit for 10 years thereafter.

Administration Proposal

The 2007 Budget proposes to terminate the program. Provisions in the 2005 Energy Policy Act should spur commercial development of geothermal resources without the need for subsidized Federal research to further reduce costs.

Department of Health and Human Services: Discretionary Proposal
CDC Preventive Health and Health Services Block Grant

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	99	---	-99

Background

The Preventive Health and Health Services Block Grant (PHHSBG) was authorized in 1981 through the consolidation of multiple categorical programs. The main uses of the PHHSBG are chronic disease prevention, public health infrastructure, access to healthcare, injury reduction, prevention and services for sex offenses, immunizations and infectious diseases, and other activities. In 2005, the average award to States/Territories was approximately $2 million. The PHHSBG was reduced by $32 million in 2006.

The PHHSBG lacks national level performance outcome information and overlaps with categorical funding. The block grant was created through the consolidation of multiple categorical grants. Since the establishment of the PHHSBG, categorical grants have reemerged that cover many of the same areas. In the main areas covered by the block grant, Centers for Disease Control and Prevention categorical programs have grown to more than $750 million a year.

Administration Proposal

The 2007 Budget proposes no funding for the PHHSBG, but proposes increased flexibility to allow States to allocate up to five percent of the non-bioterrorism grant funding for preventive health activities. (Non-bioterrorism State grants were approximately $1.4 billion in 2005). The 2007 Budget also continues to make substantial investments in the public health system through State and local bioterrorism preparedness grants and increases for pandemic influenza preparedness.

Department of Health and Human Service: Discretionary Proposal
Real Choice Systems Change Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	25	---	-25

Background

The Real Choice Systems Change grants have been funded since 2001. These grants were established to help States develop improvements to provide community-based supports for individuals with disabilities. These grants have encouraged States to provide more home and community-based services, a goal supported by other programs such as the Money Follows the Person demonstration included in the Deficit Reduction Act.

Administration Proposal

The 2007 Budget does not continue this Centers for Medicare and Medicaid Services transition grant. The Real Choice Systems Change grants encourage States to develop the infrastructure to move more disabled individuals from institutions into home and community-based care. After five years, these grants have helped States develop a better understanding of how to improve their home and community-based supports and provide these services more effectively.

The Deficit Reduction Act includes over $1 billion in mandatory funding over five years, including the Money Follows the Person demonstration, to encourage States to provide community-based care options for disabled individuals.

Department of Health and Human Services: Discretionary Proposal
Community Services Block Grant

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority………………	630	---	-630

Background

The Community Services Block Grant (CSBG) lacks performance measures and does not require minimum performance standards to receive funding. As such, Community Action Agencies (CAAs) have little incentive to improve their performance. Key services targeting employment, housing, nutrition, and health care are also provided by other Federal programs for low-income populations. Further, these larger Federal programs may better address the needs of the poor by focusing resources on a specific service, instead of providing for a wide range of services with diffused CSBG funding. In response to program weaknesses, the 2004 and 2005 Budgets proposed significant reductions to the program funding and the 2006 Budget proposed to eliminate the program.

CSBG funds anti-poverty efforts of State-administered networks of local CAAs. CAAs are non-profit, local agencies which provide a range of services and activities targeting employment, education, income management, housing, nutrition, emergency services, and health. These services are intended to alleviate the causes and conditions of poverty in communities across the United States.

Administration Proposal

The 2007 Budget proposes to eliminate CSBG for program weaknesses cited above. The program's weaknesses are supported by the 2003 PART evaluation, in which it received a low rating of Results Not Demonstrated. As a result of the CSBG elimination, individuals may seek similar services through other Federal programs.

Department of Health and Human Services: Discretionary Proposal
Community Services Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority:			
Community Economic Development..	*27*	---	*-27*
Rural Community Facilities……......	*7*	---	*-7*
Job Opportunities for Low-Income Individuals………………………....	*6*	---	*-6*
Total…………..…………..............	40	---	-40

Background

Community Services Programs consist of the following elements, which focus on economic and community development activities: 1) Community Economic Development; 2) Rural Community Facilities; and 3) Job Opportunities for Low-Income Individuals (JOLI). The Community Economic Development and the Rural Community Facilities programs award grants to private community development corporations, which sponsor enterprises offering employment, training, and business development opportunities for low-income residents. Grants are also provided for activities targeting migrant and seasonal farm workers and programs for rural housing and community facilities development. Related to this goal, JOLI provides grants to create new employment and business opportunities for TANF recipients and other low-income individuals, including self-employment and micro-enterprise, expansion of existing businesses, and new business ventures.

While the Community Services programs have not yet been evaluated through the PART, the programs report that they have not established performance measures to date. As such, there are no demonstrable results for the funding invested thus far. Also, the Community Services Programs are relatively small and the program's mission will be better achieved through the Administration's Strengthening America's Communities Initiative (SACI), which will create a results-based Federal economic development initiative for distressed communities. The 2006 Budget proposed to eliminate funding for the Community Services programs and Budgets prior to 2006 have proposed to eliminate the Rural Community Facilities program.

Administration Proposal

The Budget proposes to eliminate the Community Services Programs, and consolidate it as part of the Administration's SACI initiative. Communities may continue to seek similar services through existing Federal programs such as the Community Development Block Grant at HUD and the Economic Development Administration at Commerce, or through the Administration's proposed SACI initiative, if enacted.

Department of Health and Human Services: Discretionary Proposal
Maternal and Child Health Small Categorical Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	39	---	-39

Background

The Maternal and Child Health (MCH) Block Grant at the Health Resources and Service Administration (HRSA) allocates $693 million to State activities for mothers, children, and their families. There are multiple narrow categorical grants at HRSA that finance similar, but more limited, activities. These include the Traumatic Brain Injury, Universal Newborn Hearing Screening, and Emergency Medical Services for Children programs.

The Traumatic Brain Injury and Emergency Medical Services for Children activities received the finding Results Not Demonstrated on their PART review. Both programs failed to demonstrate improvements in health outcomes and have not set long-term health outcome goals and measures with which to measure their effectiveness over time.

Administration Proposal

The 2007 Budget proposes no funding for HRSA's Maternal and Child Health small categorical grants. The activities conducted by the Universal Newborn Hearing Screening program can be absorbed and funded by States through the Maternal and Child Health Block Grant. The Traumatic Brain Injury and Emergency Medical Services activities can also be continued by the States.

Department of Health and Human Services: Discretionary Proposal
Urban Indian Health Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	33	---	-33

Background

The Urban Indian Health Program, established in 1976, finances grants and contracts for primary, preventive, and behavioral health care, as well as outreach and referral services, targeted to the 60 percent of American Indians and Alaska Natives that live in urban areas. The PART assessment published with the 2005 Budget stated that the Urban Indian population faces health disparities similar to other urban minority populations. Unlike American Indians and Alaska Natives who live in rural areas and reservations, Urban Indians can often access other publicly funded health programs designed to address health disparities in urban areas, such as Health Centers. Approximately 60 percent of the operating budgets for the providers that receive Urban Indian Health funding come from other public and private sources.

Administration Proposal

After 30 years of Federal funding, the 2007 Budget proposes to phase out direct funding for Urban Indian Health and redirect the dollars to improving the health status of the increasing population of American Indians and Alaska Natives living in rural areas and on reservations**.**

Department of Homeland Security: Discretionary Proposal
Office of Grants and Training

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	229	---	-229

Background

The DHS Preparedness Office of Grants and Training (OG&T) provides grants, training, and other assistance to enhance the homeland security capabilities of State and local governments. OG&T was created by Secretary Chertoff's Second State Review reorganization, incorporating Office of Domestic Preparedness homeland security grants, Emergency Management Performance Grants, Assistance to Firefighter Grants, and various transportation infrastructure grants. These programs have received a total of $17.7 billion over 2002-06.

Compared to Administration requests, Congress has tended to "stovepipe" funding into narrow programs, creating several that are duplicative of other Federal, State, or local funding resources. In 2006, Congress provided $229 million for programs not requested in the President's Budget.

- The Metropolitan Medical Response System (MMRS) received $30 million, despite completing its program goals two years ago and substantial overlap with HHS grants.
- The Commercial Equipment Direct Assistance Program (CEDAP) received $50 million to provide Army-purchased responder equipment directly to small jurisdictions – duplicating the existing State Homeland Security Grant program.
- Congress provided $40 million for new grants to fund implementation of the REAL ID Act, though the Administration believes that existing DHS systems will allow States to implement this Act within existing resources.
- The SAFER firefighter hiring program received $109 million to fund the recruitment and hiring costs of local firefighters, supplanting a long-standing local responsibility to fund their core public safety costs.

While most of these programs are too new to have developed a clear record of results, the Administration believes that they are an inefficient use of resources due to their narrow scope and lack of focus on priority homeland security risks and needs.

Administration Proposal

The 2007 Budget proposes the termination of these four sub-programs totaling $229 million. MMRS, CEDAP, and REAL ID were funded through the DHS "State and Local Programs" account, while SAFER is part of the larger "Assistance to Firefighters" account.

Department of Housing and Urban Development: Discretionary Proposal HOPE VI

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	99	-99	-198

Background

In 1992, Congress established the Revitalization of Severely Distressed Public Housing (HOPE VI) program to address 100,000 of the most severely distressed public housing units in the Nation's urban neighborhoods by 2003. Through competitive grants, HOPE VI has awarded local public housing authorities over $6 billion to demolish, rehabilitate, and replace obsolete public housing with mixed-income communities, as well as provide social services to residents.

The program was originally designed with a discrete target – demolish 100,000 dangerous and dilapidated public housing units by the end of 2003. Today, that goal has been exceeded. Through 2005, 122,000 units have been demolished and HUD has approved and funded the future demolition of almost 50,000 more. The 2005 PART analysis found the program to be more costly than alternatives that address the same problem. The Government Accountability Office found the housing-related costs of a HOPE VI unit were 27 percent higher than a housing voucher and 47 percent higher when non-housing costs were included. The program has been slow to produce results; typically seven years pass between the time a HOPE VI award is made and when a new unit is occupied. In contrast, other Federal programs, such as HOME block grants, produce new housing units more expeditiously.

Given the program has exceeded its primary objective, has higher per-unit costs than other alternatives, and has had extensive delays, HOPE IV is not the most productive way to address capital needs in public housing.

Administration Proposal

The 2007 Budget proposes no new funding for the HOPE VI program. The program has surpassed its primary goal to demolish 100,000 severely distressed public housing units by 2003. While the program has achieved success in removing dangerous public housing, the 2005 PART analysis showed the program to be slow at completing construction and more costly than other programs that serve the same population. The Budget also proposes to cancel 2006 funding for this program. The Budget includes funding increases for more cost-effective alternatives such as the HOME block grant and Section 8 Tenant-based Assistance.

Department of the Interior: Discretionary Proposal
Bureau of Indian Affairs Johnson-O'Malley Assistance Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	16	---	-16

Background

About 93 percent of Native American children attend State public elementary and secondary schools across the Nation. Johnson-O'Malley grants are given to federally recognized Tribes for the Tribes to distribute to local public elementary and secondary schools. This supplemental financial assistance to public schools is provided for these schools to include culturally-related education for Indian students. In addition, the grants allow for tutoring and counseling.

Administration Action

The 2007 Budget proposes to eliminate funding for the Johnson-O'Malley Assistance Grants. The Bureau of Indian Affairs (BIA) core responsibility is to provide a basic education program for the Native American children attending BIA schools. The State public schools have other sources of funding for activities funded by the Johnson-O'Malley grants. These schools would be encouraged to apply for supplemental education funding from other State and Federal agencies, for example, the Department of Education's Indian Education Grants to Local Education Agencies and their Special Programs for Indian Children.

Department of the Interior: Discretionary Proposal
Land and Water Conservation Fund State Recreation Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…..........	28	---	-28

Background

Land and Water Conservation Fund (LWCF) State recreation grants, first authorized in 1965, provide matching Federal funds for State and local governments to acquire lands or make improvements to State and local parks.

Until the mid-1990's, LWCF funds were only used for Federal land acquisition and State recreation grants. Since then, Congress and the Administration have broadened the use of LWCF funds to support a variety of conservation programs.

The 2007 Budget continues to propose LWCF funds for these other programs, such as the North American Wetlands Conservation Fund, that help fulfill Federal goals and needs. LWCF funding in the 2007 Budget is $533 million – equal to the 2006 Enacted level excluding LWCF State grants.

Annual funding for LWCF State recreation grants recently has ranged from zero in 1996-1999 to $140 million in 2002. No funding was requested in 2006, partly because a 2003 PART review gave the program a low (25 percent) PART score.

Administration Proposal

The 2007 Budget again proposes to terminate LWCF State recreation grants. These grants pay for improvements to State and local parks, which are decisions better left to State and local taxpayers than to Federal taxpayers. Federal funding for local parks and recreation programs is not a national priority. In addition, a PART review found that this program had not been able to measure performance or demonstrate results.

Department of the Interior:
National Park Service Statutory Aid

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	7	---	-7

Background

The National Park Service (NPS) statutory aid program consists of a variety of small earmarks to different groups that have some connection to conservation, historic preservation, or outdoor recreation.

The Executive Branch historically has sought to limit the number of these grants, because they are not subject to a competitive merit-based process and generally do not fund national priorities. There are no performance requirements for this "pass-through" funding.

Starting with the 2005 Budget, the Administration has proposed to completely eliminate these grants in order to concentrate resources on higher Federal priorities, such as maintaining national parks. As a result, funding for statutory aid has dropped from $14 million in 2001 to $7 million in 2006.

Administration Proposal

The 2007 Budget terminates NPS "statutory aid" grants to various non-Federal entities conducting historical or recreational activities. These activities are secondary to the NPS mission and are not a Federal responsibility. They also have no performance requirements and have not demonstrated results.

Department of the Interior: Discretionary Proposal
Rural Fire Assistance Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	10	---	-10

Background

Begun as a pilot program in 2001, the Department of the Interior's Rural Fire Assistance program provides grants to rural fire protection districts that serve communities of less than 10,000. The grants require a 10 percent local cost share and are largely used for the purchase of fire engines and other firefighting equipment, but can also be used for firefighter training and other related support. The Department of Homeland Security and the Department of Agriculture's Forest Service both operate grant programs that provide similar services to rural fire departments across the country. The 2006 Budget proposed to terminate these grants.

Administration Proposal

The 2007 Budget again proposes to terminate the Rural Fire Assistance program. The program is duplicative of other fire assistance grant programs. The items and activities funded by these grants could be funded with existing Department of Homeland Security and Forest Service grant funding. In lieu of these grants, the Department of the Interior will focus more of its fire preparedness resources on training and certification of local firefighters so that they are qualified to assist on Federal fires.

Department of Justice: Discretionary Proposal
Byrne Discretionary Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	189	---	-189

Background

The Byrne Discretionary grants were authorized in the Anti-Drug Abuse Act of 1988 and are intended to help State and local law enforcement control violent and drug-related crime, as well as improve operations and coordination. While other similar grants were formula-based, the discretionary program was intended to allow funds to be targeted to high priority needs. In recent years, each annual funding bill has prescribed funding for a lengthy list of projects (about 400 in 2006), making it virtually impossible to target resources to priority crime needs.

Since the crime rate continues to be at its lowest level in many years, much of the justification for this assistance has diminished in comparison to other priorities, such as increasing Federal resources to combat terrorism. For the 2007 Budget, the Byrne Discretionary grants were evaluated with the Byrne Justice Assistance Grant program. Both of the programs lacked goals and performance measures, and could not demonstrate results.

Administration Proposal

The 2007 Budget proposes to terminate the Byrne Discretionary grants. With counterterrorism and other priority needs, crime at an historic low, and the program unable to demonstrate results – as well as without the ability to target funds to priority projects – there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority law enforcement programs.

Department of Justice: Discretionary Proposal
Byrne Justice Assistance Grant

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	327	---	-327

Background

The Byrne Justice Assistance Grant (JAG) Program was first funded by the Congress in 2005. JAG is a formula grant program created from the merger of the Byrne Formula Grant and the Local Law Enforcement Block Grant. The JAG program is intended to help State and local law enforcement control violent and drug-related crime, as well as improve operations and coordination. These grants can be used for multiple purposes, including hiring, equipment, and training.

Since the crime rate continues to be at its lowest level in many years, much of the justification for this assistance has diminished in comparison to other priorities, such as increasing Federal resources to combat terrorism. For the 2007 Budget, the JAG was evaluated with the Byrne Discretionary grants program. Both of the programs lacked goals and performance measures, and could not demonstrate results.

Administration Proposal

The 2007 Budget proposes to terminate the JAG Program. With counterterrorism and other priority needs, crime at an historic low, and the program unable to demonstrate results, there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority law enforcement programs.

Department of Justice: Discretionary Proposal
COPS Law Enforcement Technology Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	128	---	-128

Background

The COPS Law Enforcement Technology Grants date to 1998, when the program first received an appropriation. The program provides grants to State and local law enforcement for technology and equipment to assist with crime fighting. In recent years, each annual funding bill has prescribed funding for a lengthy list of projects (over 400 in 2006), making it virtually impossible to target resources to priority crime needs. The program has not been able to demonstrate its impact on crime.

The crime rate has declined during this Administration. Today, the crime rate is at its lowest level in a generation and much of the justification for this assistance has diminished in comparison to other priorities, such as increasing Federal resources to combat terrorism.

Administration Proposal

The 2007 Budget proposes to terminate the COPS Law Enforcement Technology Grant Program. Without the ability to target funds to priority projects based on a competitive grant process, with the crime rate at an historic low, and with no demonstrable impact on crime, there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority programs.

Department of Justice: Discretionary Proposal
Juvenile Accountability Block Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	49	---	-49

Background

The Juvenile Accountability Block Grants (JABG) Program dates to 1998. It is intended to help States and localities improve their juvenile justice systems by implementing accountability-based reforms. Overly broad categories of assistance (the program has 16 general purpose areas) have limited the Department's ability to target funding to priority juvenile justice needs and ensure that funds are spent wisely.

Much of the justification for this assistance has diminished in comparison to other priorities, such as increasing Federal resources to combat terrorism. The program was assessed and found ineffective using the PART process for the 2004 Budget. Other than anecdotal information, there is little evidence that the program reduces juvenile crime.

Administration Proposal

The 2007 Budget proposes to terminate the JABG Program. With crime at an historic low, juvenile arrests falling, and the program found ineffective, there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority law enforcement programs.

Department of Justice: Discretionary Proposal
National Drug Intelligence Center

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	39	16	-23

Background

The National Drug Intelligence Center (NDIC) was established in 1993 to support Federal, State, and local drug enforcement efforts through intelligence reports, technical assistance and national, regional and State drug threat assessments. Currently, the NDIC is managed by the Department of Justice (DOJ) while its funding is provided through the Department of Defense (DOD) appropriation.

The Administration has been evaluating existing drug intelligence capabilities within DOJ, DOD, the Department of Homeland Security, and the Central Intelligence Agency to assess their ability to address emerging threats, including threats of terrorism. Recent reports produced by the Government Accountability Office (GAO) indicate that the proliferation of intelligence centers across the government has not necessarily led to more or better intelligence, but rather more complications in the management of information. GAO's reports also note duplication and lack of coordination between DOD and law enforcement intelligence entities.

Administration Proposal

The Administration proposes to terminate funding for NDIC. This proposal would allow the Administration to focus resources on a smaller number of intelligence providers, including the new multi-agency Drug Intelligence Fusion Center, which will help to reduce intelligence duplication and coordination problems and enhance the government's ability to address emerging threats. The Budget provides $16 million of residual funding in 2007 for associated shutdown costs of the NDIC, which will be directly requested in the DOJ appropriation.

Department of Justice: Discretionary Proposal
State Criminal Alien Assistance Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	400	---	-400

Background

The State Criminal Alien Assistance Program (SCAAP) provides reimbursements to States and localities for some costs of incarcerating criminal illegal aliens held in State/local correctional facilities. The program functions as a form of revenue sharing, as funds can be used for any lawful purpose by the States. As structured, SCAAP does not require that States and localities use funding to address local crime or correctional issues. In the 2005 Budget, SCAAP was evaluated using the PART process and received a score of 15 out of 100. The program lacked goals and performance measures and could not demonstrate results.

The Administration is committed to protecting our borders and enforcing immigration laws. The 2007 Budget reflects this commitment by proposing a 34-percent increase in Government-wide immigration enforcement (a 90-percent increase since 2001). These increases will support expedited removal of illegal immigrants and expand partnerships between Federal, State, and local entities. Enhancing immigration enforcement addresses the root causes of incarcerated criminal aliens in State/local detention facilities. In addition, programs such as the Department of Justice's Project Safe Neighborhoods work with local prosecutors to prosecute violent criminals through the Federal courts – reducing some of the burden of State/local courts and law enforcement. As a result, the Federal Government is taking custody of more offenders, including criminal aliens who otherwise would be incarcerated at the State or local level.

Administration Proposal

The 2007 Budget proposes to terminate SCAAP. Due to SCAAP's lack of performance results, as well as other Federal efforts to strengthen immigration enforcement, the Administration proposes to reallocate funding to other priority needs such as Federal counterterrorism, immigration enforcement, and other efforts.

Department of Labor: Discretionary Proposal
America's Job Bank

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…..........	15	---	-15

Background

America's Job Bank (AJB) is an Internet-based listing of job openings nationwide, supported by the Department of Labor (DOL). DOL created AJB a decade ago to help job seekers find employment and employers find willing workers.

Since the establishment of AJB, the Internet has experienced explosive growth. Many private firms have developed high-quality Internet-based job banks. In addition, States have continued to cultivate their own job banks. Because State and private-sector alternatives are widely available and superior to AJB, the Administration has decided that a Federal job bank is duplicative and an inappropriate use of taxpayer resources.

Administration Proposal

The 2007 Budget proposes to eliminate funding for AJB. The Department has been phasing out its support of this website given the growth of private sector job banks and the continued availability of State-run job banks to serve job seekers and employers. In 2007, the phase-out will be complete, and funding will no longer be necessary.

Department of Labor: Discretionary Proposal
Denali Commission Job Training Earmark

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	7	---	-7

Background

Since 2004, the Congress has provided earmarks in the Department of Labor's (DOL) appropriations for job training activities associated with Denali Commission projects. For 2004, this unrequested funding was $5 million, and for each of the years 2005 and 2006, it was $7 million.

The Denali Commission, which was established in 1998, is a Federal partnership with Alaska to provide utilities, infrastructure, and economic support to distressed rural communities in Alaska. For 2006, in addition to this earmark, the Denali Commission received appropriations totaling $130 million. These resources are available for job training and employment services, as well as construction and renovation of rural health clinics and a new transportation program.

Further, through Workforce Investment Act (WIA) programs that DOL administers, Alaska and its citizens receive millions of dollars from the Federal Government for job training and employment services. For instance, in program year 2005, Alaska has received formula grants totaling $10.6 million to provide job training and employment services to adults and youth. Further, certain Alaskan tribes receive funding from the WIA Native American programs that DOL administers. During the last round of grant awards, Alaskan tribes and other entities serving Native Americans received $3.0 million for job training and employment activities. Alaska also has a Job Corps center in Palmer that serves more than 200 disadvantaged youth each year and received $7.8 million in program year 2004.

Administration Proposal

The 2007 Budget request for the Department of Labor does not include this unnecessary, duplicative earmark. The 2007 Budget does, however, request $6 million ($2 million in the Energy and Water appropriations bill, and $4 million in a trust fund) for the Denali Commission, which will allow it to continue the constructive role the Commission plays as a regional planner and coordinator of other Federal investments in Alaska. Alaska will continue to receive Federal support for job training and employment services through its WIA formula grants, targeted grants to assist Native Americans, and Job Corps center.

Department of Labor: Discretionary Proposal
Migrant and Seasonal Farmworkers Training Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	79	---	-79

Background

The Department of Labor's (DOL) Migrant and Seasonal Farmworkers program provides competitive grants that are intended to fund job training, employment, and other services to help economically disadvantaged farmworkers and their families to achieve economic self-sufficiency by strengthening their ability to gain stable employment. However, an assessment using the PART found that the program is ineffective in achieving these goals. The PART assessment also found that services provided are, in many cases, duplicative of other DOL and Federal agency programs.

Most importantly, the program does not concentrate enough on providing job training and employment. Each year, more than 60 percent of the approximately 30,000 participants receive only supportive services like emergency cash assistance. Although supportive services are important to these workers, several other Federal programs provide resources for these services. The DOL program is supposed to help participants pursue job training and employment assistance that will help them to gain stable, year-round employment.

In addition, performance accountability has been poor. The grants are competitively awarded, but because there have been so few applicants there has not always been adequate competition. For example, all grantees in 1999 received continuation grants in 2001 even though many of them had consistently performed poorly.

Administration Proposal

The 2007 Budget proposes to end this ineffective program and serve the farmworkers better through the nationwide system of more than 3,500 One-Stop Career Centers. In the meantime, DOL has taken steps to improve these centers' outreach to farmworkers and will continue to integrate services with other workforce programs as well as other Federal agencies' programs and resources that are available to assist these workers and their families. Furthermore, all grantees are now required to report on and be more accountable for achieving goals tied to the most important outcomes: employment, job retention, and earnings.

Department of Labor: Discretionary Proposal
Reintegration of Youthful Offenders

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	49	---	-49

Background

The Reintegration of Youthful Offenders Program is a narrow-purpose demonstration project that provides employment and training services to ex-offenders under the age of 35. Although it has been funded since 1998, the program has not demonstrated accountability for employment outcomes. An innovative, comprehensive strategy is needed to help individuals leaving prison make a successful transition to community life and long-term employment.

More than 600,000 offenders are released from prison each year and face multiple barriers upon their return to society, including inadequate job skills and housing. Approximately two-thirds of prisoners are re-arrested within three years of their release, and half return to prison during that same period.

Administration Proposal

The 2007 Budget proposes to terminate funding for the Reintegration of Youthful Offenders program and better serve this population through the President's Prisoner Re-entry Initiative. Originally proposed in the 2005 Budget, this four-year initiative will offer a range of job training, housing, and mentoring services and harness the experience of faith-based and community organizations. As part of their transition back to society and a law-abiding life, ex-offenders need full access to the job training, housing, and mentoring services provided by faith-based and community organizations – access that can be accomplished through expanded choice. The 2007 Budget includes $20 million in the Department of Labor, $25 million in the Department of Housing and Urban Development, and $15 million in the Department of Justice for the President's Prisoner Re-entry Initiative to address the problems faced by ex-offenders in a more effective way.

Department of Labor: Discretionary Proposal
Susan Harwood Training Grants (OSHA)

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	10	---	-10

Background

The Occupational Safety and Health Administration's (OSHA) Susan Harwood Training Grant program was established in 1978 to provide one- to five-year competitive grants to nonprofit organizations to develop or conduct training programs in selected safety and health topics. Since 2002, Congress has reserved $3.2 million each year within the Harwood appropriation to fund Institutional Competency Building (ICB) grants. The ICB grants provide long-term funding of three- to five-years.

Beginning in 2003 and in each year thereafter, the Administration has proposed terminating the Harwood Training Grant program for three main reasons: 1) The program duplicates other, more cost-effective OSHA safety education activities, such as the development of compliance assistance tools and Internet-based safety training courses; 2) there is no performance data to suggest that the program is successful or serves an unmet need; and 3) grantees have experienced difficulties recruiting employers and employees to attend the Harwood training programs.

Administration Proposal

The 2007 Budget proposes to terminate the Susan Harwood Training Grant program, including the Congressional appropriation of $3.2 million for the Institutional Competency Grant program, and to redirect these funds toward increased compliance assistance activities. In addition, these funds will target outreach and training for Hispanic workers who are at greater risk than the general population for accidental injuries and fatalities. These compliance assistance activities are a more cost-effective strategy for disseminating training materials to the same audience as those served by the Harwood Training Grants. Thus, terminating the Harwood Training Grant program would not compromise OSHA's delivery of compliance assistance, outreach, and training for employers and workers.

Department of Labor: Discretionary Proposal
Work Incentive Grants

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	20	---	-20

Background

The Work Incentive Grants program was created in 2000 as a pilot program to strengthen the capacity of the One-Stop Career Centers, established under the Workforce Investment Act of 1998, to meet the employment needs of people with disabilities. The program provides competitive grants to State and local entities to demonstrate a variety of approaches for improving services to job seekers with disabilities. Most recently, the program has worked with the Social Security Administration to fund "disability program navigators," or advocates who are responsible for bringing greater awareness of disability-related workforce issues to One-Stop staff.

The Work Incentive Grants pilot has no explicit congressional authorization. It was launched under the general authority of the Wagner-Peyser Act of 1933 to support a national employment system. The grants have supported system and capacity building and improved the physical accessibility of One-Stops; however, they have never financed direct services to job seekers with disabilities.

This pilot program was assessed through the PART and received a rating of Adequate. The PART found that the grantees have tried varied approaches to improve One-Stop services to job seekers with disabilities, but have not demonstrated sufficient accountability for improving employment outcomes.

Administration Proposal

The 2007 Budget proposes to terminate funding for Work Incentive Grants. This pilot program has successfully demonstrated various approaches to improve the accessibility of One-Stop services for job seekers with disabilities. That mission has been accomplished. States and localities can now implement these approaches as part of their regular support for the community-based employment and training centers.

Even without these grants, the Vocational Rehabilitation State Grants program in the Department of Education will continue to provide technical assistance to One-Stop Centers on program accessibility. More importantly, Section 504 of the Rehabilitation Act mandates that organizations that receive Federal funds must be accessible to people with disabilities.

Department of Transportation: Discretionary Proposal
Maritime Administration's
National Defense Tank Vessel Construction Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	---	-74	-74

Background

The 2007 Budget proposes to terminate the National Defense Tank Vessel construction program. This program was established by the Congress in the Consolidated Appropriations Act of 2005 to provide financial assistance to the private sector for the construction of new product tank vessels for commercial service that would also have military utility. No more than $50 million may be provided to subsidize the construction an individual vessel, making it unlikely that the program would fund the construction of more than a single vessel. After an across-the-board rescission in the year of appropriation, $74.4 million of an initial $75 million in funding remains unobligated and available for cancellation.

Administration Proposal

While these tank vessels may be made available for the military when needed, their primary purpose will be for commercial service. This program is similar to a costly and ineffective ship construction program that was terminated in 1981. The proposal to terminate this program is aimed at reducing unwarranted corporate subsidies and was initially proposed in the 2006 Budget. The Administration believes that the commercial shipbuilding industry should rely on private sector financial investment based on market demand.

The President's Budget also proposes to cancel the funding provided in 2005. Because the program has not yet been established, termination of this program will not result in eliminating personnel.

Department of Transportation: Discretionary Proposal
Railroad Rehabilitation and Improvement Financing Loan Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…........	---	---	---

Background

Through the Railroad Rehabilitation and Improvement Financing program (RRIF), the Department of Transportation offers low-cost loans to railroads for infrastructure improvement projects or refinancing debt. The recently enacted highway reauthorization bill, the Safe, Accountable, Flexible, Efficient, Transportation Equity Act (SAFETEA-LU), made substantial changes to the program, effectively making it mandatory and greatly increasing its size.

RRIF is a zero subsidy loan program, meaning it does not receive appropriated funds to make loans, and eliminating it would not produce budget savings. However, the program exposes the government to the risk of loan defaults, which is captured in the annual credit subsidy reestimate process.

Administration Proposal

The 2007 Budget recommends terminating the RRIF loan program, and proposes appropriations language to strike its authorizing provisions.

All railroads regardless of size, including publicly traded corporations, are eligible for this assistance. There is not clear justification why the Federal Government should extend such favorable loan terms to private rail companies.

The program is also objectionable because SAFETEA-LU effectively blocks DOT's discretion over whether or not it may issue a loan to a questionable applicant. In the event of a loan default, the Federal Government would be responsible for covering any unsecured losses, which could be significant because SAFETEA-LU expanded the program from $3.5 billion to $35 billion.

Further, the "American Jobs Creation Act of 2004" provides benefits similar to the RRIF program by providing tax credits to smaller railroads for track maintenance and by eliminating the 4.3 cent per gallon diesel fuel tax previously imposed on all railroads. The tax code provides assistance more evenly and equitably to the rail industry.

Environmental Protection Agency: Discretionary Proposal
Unrequested Projects

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority:			
State and Tribal Assistance Grants (STAG)…………..…………...............	*197*	---	*-197*
Environmental Programs and Management …………..……………......	*47*	---	*-47*
Science and Technology (S&T)	*33*	---	*-33*
Total …...	277	---	-277

Background

Unrequested or earmarked projects often serve local interests and do not fulfill national priorities or Federal responsibilities. Earmarks are not subject to competitive or merit-based processes that typically assure higher priorities are funded first. A vast majority of these earmarks are targeted for wastewater or drinking water infrastructure projects, mainly in the STAG account, while others are for specific studies and directed research. These earmarks require even more oversight and technical assistance from EPA than standard grants since many recipients are unprepared to spend or manage the funds. These projects generally take several years to complete, requiring EPA resources for an extended period of time.

Administration Proposal

The 2007 Budget proposes savings from not continuing funding for earmarked projects in three EPA accounts. These projects divert funding from other higher priority programs, circumvent competitive processes, and divert people and associated financial resources from the Agency's core mission activities.

Corporation for National and Community Service:
Discretionary Proposal
National Civilian Community Corps

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	27	5	-22

Background

Operated by the Corporation for National and Community Service (CNCS), the National Civilian Community Corps (NCCC) is a 10-month, residential community service program for young adults ages 18-24. The program was created as a demonstration project in 1993 to test whether a federally funded, residential program can increase support for national service. NCCC operates five campuses, primarily in former military bases, in California, Colorado, South Carolina, Maryland, and Washington, DC. Members serve on projects that include environmental clean-up, disaster relief, tutoring, and other community needs.

An assessment using the PART found that NCCC is ineffective due to significant flaws in the program's design, performance, and cost-effectiveness. In particular, the PART found no rationale for NCCC's existence as a residential program. Although the program's residential design was intended to facilitate disaster relief, the PART found that only 7 percent of a member's service is focused on disaster relief activities. The PART also found that the program is extremely costly. NCCC has a per-participant cost of $27,859, or 74 percent higher than the AmeriCorps Grant program's unit cost of $16,000. Unlike AmeriCorps Grants, NCCC is entirely federally funded and does not have a cost-sharing component.

Administration Proposal

The 2007 Budget proposes to close out operations of the NCCC program. This action will not hamper CNCS's ability to assist with the on-going Hurricane Katrina relief and recovery efforts. Currently, more than 13,000 participants in the Corporation's other programs – including AmeriCorps, Senior Corps, and Learn and Serve America – are volunteering in the affected Gulf Coast areas. Although NCCC will be phased out, its 1,000 volunteer member slots will be shifted to the AmeriCorps Grants program.

Corporation for National and Community Service
Discretionary Proposal
President's Freedom Scholarships

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	4	---	-4

Background
The President's Freedom Scholarships program was established in 1997 to recognize high school students who complete 100 hours of community service and demonstrate exemplary leadership. Administered by the Corporation for National and Community Service (CNCS), the program provides $500 for each scholarship, which must be matched with $500 from the student's school, local businesses, non-profit organizations, religious institutions, or civic groups.

Students who receive the Scholarship have up to seven years to use the funds for their college education. Funds are disbursed only after post-secondary school enrollment is confirmed, and checks are made payable to the educational institution on behalf of the student. Since 2000, the program has experienced a steady decline in usage. For example, although the 2005 Budget supported 7,700 scholarships only 6,400 were awarded.

Administration Proposal

The 2007 Budget proposes to terminate the President's Freedom Scholarships program, which duplicates other service incentive awards. In 2007, the Corporation will continue to encourage and recognize volunteerism through other programs. For example, the President's Volunteer Service Award was created in 2003 by the President's Council on Service and Civic Participation to thank and honor Americans of all ages who engage in volunteer service. The Administration expects to provide more than 250,000 Volunteer Service Awards in 2007.

National Veterans Business Development Corporation: Discretionary Proposal

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	1	---	-1

Background

The National Veterans Business Development Corporation (NVBDC) was created under the Veterans Entrepreneurship and Small Business Development Act of 1999 with the mandate of helping the nation's veterans access technical assistance and develop small businesses. Funding for NVBDC was originally authorized through 2003 and the organization was mandated to become financially self-sufficient thereafter.

Administration Proposal

The Administration is not requesting funds for the National Veterans Business Development Corporation and proposes that the organization become financially self-sufficient, consistent with its authorization language.

Small Business Administration: Discretionary Proposal
Microloan Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	14	---	-14

Background

The Microloan program provides small loans to start-up and growing small businesses through intermediaries, which also receive Small Business Administration (SBA) technical assistance. Under this program, SBA makes funds available to nonprofit community-based lenders (intermediaries) that, in turn, make loans to eligible borrowers in amounts up to a maximum of $35,000.

Administration Proposal

The 2007 Budget proposes termination of the Microloan program, which provides technical assistance and loans to intermediaries for small business lending. The program costs taxpayers nearly $1 for each $1 lent. The small businesses currently served by the Microloan program can be served by other SBA programs, including 7(a) Community Express (small loans with a lender-provided technical assistance component), as well as other government and non-government programs.

Postal Service: Discretionary Proposal
Forgone Revenue Appropriation

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	29	---	-29

Background

This program reimburses the U.S. Postal Service (USPS) for its prior years' lost revenue from legislatively mandated reduced rates for non-profit mailers. In 1994, the Congress authorized $1.2 billion to be appropriated to USPS in $29 million increments over a 42 year period. As of 2006, USPS has been reimbursed $377 million. The 2005 and 2006 Budgets proposed to discontinue this reimbursement.

Administration Proposal

The 2007 Budget proposes to terminate the $29 million annual appropriation to reimburse the Postal Service for revenue forgone for reduced rate mail. In 2003, the Administration worked with the Congress to re-estimate the pension costs of the Postal Service, and the Congress enacted significant pension reforms. USPS has benefited from pension savings of approximately $3 billion per year as a result of that legislation, more than compensating the organization for the loss of this small forgone revenue appropriation.

MAJOR PROGRAM REDUCTIONS

Major Discretionary Reductions in the FY 2007 Budget

(Budget authority in millions)

Major Reductions	Has the reduction been proposed before? 2004	2005	2006	2006 Request	2006 Enacted	2007 Request	2007 Request less 2006 Enacted
Department of Agriculture							
Conservation Operations	Y	Y	Y	768	822	745	-77
Resource Conservation and Development Program	N	N	Y	26	51	26	-25
State and Private Forestry	N	N	N	99	217	117	-100
In-House Research	Y	Y	Y	996	1,124	1,001	-123
Mandatory Reductions Providing Discretionary Offsets:							
Environmental Quality Incentives Program	Y	Y	Y	-200	-NA-	-270	-270
Market Access Program	Y	Y	Y	-75	-NA-	-100	-100
Rural Economic Development Grants	Y	Y	Y	-5	-NA-	-89	-89
Watershed Rehabilitation Program	Y	Y	Y	-210	-NA-	-65	-65
Farmland Protection Program	Y	Y	Y	-16	-NA-	-47	-47
Value-added Marketing Grants	Y	Y	Y	-120	-NA-	-40	-40
Wildlife Habitat Incentives Program	Y	Y	Y	-25	-NA-	-30	-30
Agricultural Management Assistance	N	N	Y	-14	-NA-	-14	-14
Broadband	Y	Y	Y	-50	-NA-	-10	-10
Ground and Surface Water Conservation	N	N	Y	---	-NA-	-9	-9
Renewable Energy Program	Y	Y	Y	-23	-NA-	-3	-3
Biomass Research and Development	N	N	Y	-2	-NA-	-2	-2
Total, Agriculture Major Reductions				**1,149**	**2,214**	**1,210**	**-1,004**
Department of Commerce							
Manufacturing Extension Partnership	Y	Y	Y	47	105	46	-59
Technology Administration	N	N	Y	4	6	1	-5
Total, Commerce Major Reductions				**51**	**111**	**47**	**-64**
Department of Education							
Perkins Loans Institutional Fund Recall	N	N	N	---	---	-664	-664
Teaching American History	N	N	N	119	120	50	-70
Physical Education	Y	N	Y	55	73	26	-47
Mentoring Program	N	N	Y	49	49	19	-30
Total, Education Major Reductions				**223**	**242**	**-569**	**-811**
Department of Energy							
Environmental Management	N	N	Y	6,505	6,590	5,828	-762
Weatherization Assistance Program	N	N	N	230	243	164	-79
Clean Coal Power Initiative	N	N	N	50	50	5	-45
Total, Energy Major Reductions				**6,785**	**6,883**	**5,997**	**-886**
Department of Health and Human Services (HHS)							
HRSA- Children's GME	Y	Y	Y	200	297	99	-198
HRSA- Health Professions	Y	Y	Y	161	295	159	-136
HRSA- Poison Control Centers	Y	N	N	23	23	13	-10
HRSA- Rural Health	Y	Y	Y	29	160	27	-133
Social Services Block Grant	N	N	N	1,700	1,700	1,200	-500
Substance Abuse and Mental Health Administration- Programs of Regional and National Significance	N	N	Y	837	851	780	-71
Total, HHS Major Reductions				**2,950**	**3,326**	**2,278**	**-1,048**
Department of Homeland Security (DHS)							---
Office of Grants and Training	N	N	N	1,854	1,789	1,095	-694
Total, DHS Major Reductions				**1,854**	**1,789**	**1,095**	**-694**
Department of Housing and Urban Development (HUD)							
Public Housing Capital Fund	N	N	Y	2,327	2,439	2,178	-261
Total, HUD Major Reductions				**2,327**	**2,439**	**2,178**	**-261**
Department of the Interior							
BIA School Construction	N	Y	Y	174	207	157	-50
Bureau of Reclamation Reductions (excl. Central Utah Project)	Y	Y	Y	873	977	850	-127
USGS Mineral Resources Program	N	Y	Y	25	53	31	-22
Total, Interior Major Reductions				**1,072**	**1,237**	**1,038**	**-199**
Department of Labor							
State Job Training Grants Consolidation	Y	Y	Y	3,933	3,927	3,413	-514
International Labor Affairs Bureau	Y	Y	Y	12	73	12	-61
Office of Disability Employment Policy	N	N	Y	28	28	20	-8
Total, Labor Major Reductions				**3,973**	**4,028**	**3,445**	**-583**
Department of Transportation							
Amtrak	Y	Y	Y	360	1,294	900	-394
FAA - Airport Improvement Program (oblim)	N	N	Y	3,000	3,515	2,750	-765
Total, Transportation Major Reductions				**3,360**	**4,809**	**3,650**	**-1,159**

Major Discretionary Reductions in the FY 2007 Budget

(Budget authority in millions)

	Has the reduction been proposed before? 2004	2005	2006	2006 Request	2006 Enacted	2007 Request	2007 Request less 2006 Enacted
Department of the Treasury							
IRS Business Systems Modernization	N	N	N	197	197	167	-30
Total, Treasury Major Reductions				**197**	**197**	**167**	**-30**
Environmental Protection Agency							
Alaska Native Villages	N	N	Y	15	34	15	-19
Clean Water State Revolving Fund	Y	Y	Y	730	887	688	-199
Total, EPA Major Reductions				**745**	**921**	**703**	**-218**
International Assistance Programs (IAP)							
Assistance for Eastern European Democracy	N	N	N	382	357	274	-83
Assistance for the Independent States of the Former Soviet Union	N	N	Y	482	509	441	-68
Total, IAP Major Reductions				**864**	**866**	**715**	**-151**
National Aeronautics and Space Administration (NASA)							
Aeronautics Mission Research Directorate	N	N	Y	851	884	724	-160
Total, NASA Major Reductions				**851**	**884**	**724**	**-160**
Other Agencies							
Corporation for Public Broadcasting	N	N	Y	390	460	346	-114
Denali Commission	N	Y	Y	140	53	6	-47
NARA National Historical Publications and Records Commission	N	N	Y	---	8	---	-8
Total, Other Agencies Major Reductions				**530**	**521**	**352**	**-169**
Total, Major Discretionary Reductions				**26,931**	**30,467**	**23,030**	**-7,437**

Department of Agriculture: Discretionary Proposal
Conservation Operations

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…………..	822	745	-77

Background

Increasingly, Congress is adding earmarks to the Natural Resources Conservation Service's (NRCS) Conservation Operations account. In both 2005 and 2006, Congress inserted over $100 million in local projects to the Conservation Operations account, which is the agency's main salaries and expenses account. This account also includes line item funding for the Grazing Lands Conservation Initiative (GLCI), which provides technical assistance to owners and managers of grazing land. The United States Department of Agriculture provides technical assistance for grazing lands more effectively through other programs and the GLCI line item unnecessarily segments its funding. Eliminating the congressional earmarks and the GLCI reflects the realignment of the Administration's priorities, to direct funding to the highest priority activities.

Administration Proposal

The 2007 Budget proposes to eliminate unrequested congressional earmarks in the NRCS Conservation Operations account. The earmarks fund a large number of local conservation, education, and research projects, many of which are of uncertain value, duplicative of other USDA programs, or are not a Federal responsibility. In addition, the Budget eliminates the Grazing Lands Conservation Initiative funding.

Department of Agriculture: Discretionary Proposal
Resource Conservation and Development Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…………..	51	26	-25

Background

The Resource Conservation and Development (RC&D) Program provides assistance to local communities to develop strategic plans that address their locally identified natural resource and economic development concerns. The program's long-term goal is to improve the capability of local communities to plan and deliver improvement projects.

A PART review conducted for the 2006 Budget found that the RC&D Program was duplicative of other USDA and Federal resource conservation and rural development efforts. Also, at the national level the program did not identify programmatic priorities and allocate dollars according to these priorities. Finally, the program does not adequately demonstrate its contributions to communities.

Administration Proposal

The Budget proposes to consolidate and reduce the number of coordinator positions. The resulting savings of $25 million would be redirected to other high-priority conservation activities. All 375 currently authorized RC&D areas will continue to receive administrative and technical assistance with coordinators assuming responsibility for multiple areas. Local communities will be expected to assume a larger role in identifying, planning, and addressing their own priorities.

Department of Agriculture: Discretionary Proposal
State and Private Forestry

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	217*	117	-100

*Includes transfer from Wildland Fire Management account.

Background

The State and Private Forestry program provides technical and financial assistance to States and non-industrial private forest landowners. The program aims to reduce the threat associated with invasive species and uncontrolled wildfire. In both the 2004 and 2006 Budgets, OMB reviewed these activities and made recommendations that would improve performance. USDA has not implemented PART recommendations for invasive species regarding performance measures that ensure treatments are appropriate, effective, and minimize environmental impacts. Recommendations that fire grants be allocated to address national priorities in the most effective and efficient manner also remain incomplete.

Administration Proposal

The 2007 Budget proposes to redirect funding for invasive species to other forest health projects because of slow agency implementation of PART recommendations, and reduce fire grants, because of inadequate performance measures. The Budget proposes to establish a $10 million fund to develop new, less costly alternatives to address specific invasive species. While reducing fire grants, the Budget provides an increase of $10 million over the 2006 level to reduce the threat of wildfires to communities by reducing dense underbrush on adjacent Federal lands.

Department of Agriculture: Discretionary Proposal
Federal (In-House) Research

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	1,124	1,001	-123

Background

This program provides funding for in-house work by Federal scientists on agricultural issues in areas such as agricultural productivity, rural development, agriculture and food safety, human nutrition and environmental stewardship. This program funds over 1,200 projects by about 2,350 USDA scientists at 107 locations. The Administration requests additional funding to meet priority research needs, such as homeland security. The Congress has consistently underfunded research for priority needs, while continuing lower priority projects. For example, the 2006 Budget proposed to fund $88 million in high priority research in areas such as homeland security, Bovine Spongiform Encephalopathy (BSE), and human nutrition, while not proposing to continue about $200 million in earmarked projects. The 2006 Appropriations Act funded only about $14 million of the program increases, while actually increasing total earmarks above the prior year level.

Administration Proposal

In the 2007 Budget, the Administration proposes to eliminate all prior year earmarks, while increasing funding by $107 million for high priority programs, including homeland security, human nutrition and BSE. Earmarked projects create a challenge to effectively and efficiently manage research staff. The Budget would repropose 2006 priority requests not approved by the Congress, and add an additional $34 million in requests largely related to homeland security.

Department of Agriculture: Discretionary Proposal
Mandatory Reductions Providing Discretionary Offsets

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	2006 Change from
Environmental Quality Incentives Program…………………………….	-183	-270	-87
Market Access Program……………	---	-100	-100
Rural Economic Development Grants………………………………	-170	-89	+81
Watershed Rehabilitation Program...	-210	-65	+150
Farmland Protection Program……...	-26	-47	-21
Value-added Marketing Grants…….	-120	-40	+80
Wildlife Habitat Incentives Program	-42	-30	+12
Agricultural Management Assistance………………………….	-14	-14	---
Broadband………………………….	-80	-10	+70
Ground and Surface Water Conservation…………..………...	-9	-9	---
Renewable Energy Program……….	-23	-3	+20
Biomass Research………………….	-2	-2	---
Total, BA Offsets………………….....	**-879**	**-679**	**+186**

Note: Upon enactment, discretionary proposals to limit mandatory spending are "re-based" thereby reducing the funding of the underlying mandatory program.

Background

The 2002 Farm Bill contained funding for numerous mandatory programs. During the appropriations process over the last several years, the Congress has routinely blocked, rather than cancelled, funding for these mandatory programs to offset increased discretionary spending. For example, the Congress approved mandatory reductions totaling $360 million in 2002, $443 million in 2003, $377 million in 2004, $1.4 billion in 2005 and roughly $1.6 billion in 2006. More recently, Congress has passed reconciliation measures that permanently cancelled approximately $913 million in mandatory funding. Many of these programs are more appropriately funded with discretionary resources.

Administration Action

The 2007 Budget proposes to cancel funding for lower-priority and duplicative programs authorized by the 2002 Farm Bill. Each of these programs is proposed for cancellation because they are either lower-priority or duplicative of other programs as mentioned above. The proposed mandatory funding cancellations would affect the following programs (listed in order of amount of dollars saved). In the past, the Administration has proposed, and Congress has adopted, similar savings; such programs are indicated by an asterisk (*):

- *Environmental Quality Incentives Program* *– This program provides financial and technical assistance to farmers and ranchers to install conservation measures on working lands to address a variety of natural resource concerns, including air, soil, and water quality. The Budget proposes to cancel $270 million out of $1.3 billion available in 2007.

- *Market Access Program* – This program helps U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. The Budget proposes to cancel $100 million out of $200 million available in 2007.
- *Rural Economic Development Grants* *– This program assists rural cooperatives to provide economic assistance for rural development activities. The Budget proposes to cancel a total of $89 million available in 2007.
- *Watershed Rehabilitation* *– This program provides funding to communities to assist in the repair of flood prevention infrastructure. The Budget proposes to cancel $65 million available in 2007, but provides $15 million for a discretionary program.
- *Farm and Ranch Land Protection Program** – The program provides matching funds to State, Tribal, and local governments and to non-governmental organizations to help purchase development rights to keep productive farm and ranch land in agricultural uses. The Budget proposes to cancel $47 million out of $97 million available in 2007.
- *Value-added Grants** – This program provides marketing assistance grants to local communities. The budget proposes to cancel $40 million available in 2007.
- *Wildlife Habitat Incentives Program** – This program provides financial and technical assistance to landowners to develop habitat for upland and wetland wildlife. The budget proposes to cancel $30 million out of $85 million available in 2007.
- *Agricultural Management Assistance* – The program provides assistance to agricultural producers to mitigate financial risk by using conservation measures to reduce soil erosion and improve water quality. The budget proposes to cancel $14 million out of $20 million made available in 2007.
- *Ground and Surface Water Conservation* *– This program provides financial assistance to producers to offset the cost associated with converting to less water intensive cropping systems or non-irrigated land use, improving irrigation systems, and improving water storage through water banking and groundwater recharge. The Budget proposes to cancel $9 million of the $60 million made available in 2007.
- *Broadband* *– This program provides loans to improve telecommunications services in rural areas. The proposal would eliminate a mandatory loan program designed to finance the installation of broadband transmission capacity to rural communities, but instead proposes $35 million for a discretionary program. The budget proposes to cancel $10 million available in 2007.
- *Renewable Energy* *– This program provides loans and grants to farmers, ranchers, and small rural businesses to purchase renewable energy systems. The budget proposes $10 million in discretionary funds and cancels $3 million in mandatory funding available in 2007.
- *Biomass Research* * – This program's primary goal is to coordinate and accelerate Federal biobased products and bioenergy research and development. The Budget proposes to cancel $2 million out of $14 million available in 2007.

Department of Commerce: Discretionary Proposal
Manufacturing Extension Partnership

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	105	46	-59

Background

The Manufacturing Extension Partnership (MEP) is a nationwide network of centers that provide business and technical assistance services to small- and medium-sized manufacturers. MEP's original 1988-legislated design called for a phase-out of Federal monies to each center after six years of funding, with the goal of making each center self-sufficient. Currently, fees charged to recipients generally cover one-third of the centers' costs; the Federal government and State/local matching grants together cover the remaining two-thirds of the costs.

Administration Proposal

The Budget funds MEP at $46 million, over a 50 percent reduction from the 2006 grant level. This will maintain a strong network of centers while focusing funding based on centers' performance and needs. MEP centers provide manufacturing firms consulting services that are also provided by private entities. Given the reported benefits MEP clients receive from the program, they have the profit incentive and means to cover the costs of these services through modestly increased fees. The program has also, in recent years, received additional targeted funding support from other Federal agencies. Given this new operating environment, the program now requires less reliance on direct appropriations.

Department of Commerce: Discretionary Proposal
Technology Administration

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	6	1	-5

Background

The Technology Administration works on U.S. technology policy and has a leadership role for the National Institute of Standards and Technology (NIST) and the National Technical Information Service. The work of the Technology Administration duplicates activities performed by other Federal agencies, such as the Office of Science and Technology Policy, and it is not evident that TA has an impact on U.S. technological competitiveness. Further, the 2007 Budget proposes the President's American Competitiveness Initiative that includes a strong commitment to double over 10 years the investments that support basic research programs in the physical sciences and engineering. This initiative will be carried out through the National Science Foundation, the Department of Energy's (DOE) Office of Science, and the Department of Commerce's National Institute of Standards and Technology (NIST). The Initiative also strengthens science and mathematics education and training programs.

Administration Proposal

The Administration proposes to streamline the Technology Administration and shift resources to higher performing programs that have a greater impact on technological competitiveness, including providing a $104 million increase for NIST labs, after removal of earmarks, as part of the American Competitiveness Initiative for high-priority investments in physical science research. This Initiative will double funding over the next 10 years for NIST, the National Science Foundation, and DOE's Office of Science.

Department of Education: Discretionary Proposal
Perkins Loans Institutional Fund Recall

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	---	-664	-664

Background

The Perkins loan program was created in 1958 under the National Defense Education Act, well before the establishment of the Federal student loan programs.

Under the Perkins Loan program, the Education Department provides funding to colleges and universities to make low interest loans to needy students. Most of the Federal funding for this program was provided in the early years of the program. Over time, the balance of the Federal contributions in the revolving funds has grown to $6 billion. Under the Higher Education Act, these are Federal assets which, upon expiration or suspension of the program, revert to the Federal government.

The Congress has taken the first step to eliminate this program. The 2005 Omnibus Appropriations Act eliminated the annual $99 million capital contributions to the program. Without new capital contributions, the balance of the program fund will deplete over time.

Administration Proposal

The 2007 Budget proposes a one-year recall of the Federal portion of the Perkins Loan revolving funds held by participating institutions of higher education. The Perkins Loan program is duplicative of the larger direct and guaranteed student loan programs and is not well targeted to the neediest students. The PART analysis conducted in 2004 rated this program Ineffective and found that:

- The program is not as cost efficient as the other Federal student loan programs Federal Family Education Loans (FFEL) and Direct Loans (DL).
- The current statutory formula for allocating funding to schools fails to target aid to the neediest students.
- The data the Education Department collects from colleges and universities is insufficient for performance measurement and program management.

Only 1,800 of the 6,000 schools that participate in the Federal student aid programs participate in this program, and often these institutions serve less needy students. The program's institutional allocation formula (i.e., how much program funding is given to each school to offer Perkins aid) is designed to heavily benefit postsecondary institutions that have participated in the program for a long time without regard to the number of needy students they enroll. The program’s allocation formula provides very limited funding to more recent entrants that serve larger proportions of needy students.

The Budget also requests no discretionary appropriations for Perkins loan cancellations. Certain Perkins loan borrowers are eligible to receive loan forgiveness in exchange for undertaking certain public service employment. Eligible Perkins loans would continue to be cancelled but no appropriations would be made to replenish the institutional revolving funds. The one-year recall would be net of any Perkins loans that are eligible for cancellation in the 2007-2008 academic year.

Department of Education: Discretionary Proposal
Teaching American History

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	120	50	-70

Background

The Teaching American History program supports competitive 3-year grants to local educational agencies (LEAs) to promote the teaching of traditional American history in elementary and secondary schools as a separate academic subject. Grants are used to improve the quality of history instruction by supporting training for teachers of American history (including elementary school teachers who teach the general curriculum).

The number of quality applications for assistance has been insufficient to justify continuing the current level of funding. For example, in 2005 almost 50 percent of funded Teaching American History grant applications earned a score below the usual Department of Education (ED) standard for competitive grants. As a result, ED has had to fund many lower-quality grant applications in order to spend the program's full appropriation.

Administration Proposal

The Budget requests $50 million for the Teaching American History (TAH) program, $70 million below the 2006 level. The number of quality applications for assistance under this program has been insufficient to justify continuing the current level of funding. The request should be sufficient to fund all high-scoring applicants, ensuring that the program effectively supports projects that have well-conceived strategies for increasing teacher knowledge and student achievement and a strong management plan for achieving that goal.

Department of Education: Discretionary Proposal
Physical Education

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	73	26	-46

Background

The Physical Education program provides grants to local educational agencies (LEAs) and community-based organizations to pay the Federal share of the costs of initiating, expanding, and improving physical education programs (including after-school programs) for students in kindergarten through 12th grade, in order to make progress toward meeting State standards for physical education. The Physical Education program was assessed in 2005 using the PART and received a rating of Results Not Demonstrated.

Administration Proposal

The Administration proposes to reduce funding for the Physical Education program by $46 million and to phase out the program by the end of 2008. With the amount requested, the Department would pay continuation costs for physical education grant awards first funded in 2005 and 2006. The 2007 Budget redirects funding to other Federal funding priorities, including Title I and programs within the American Competitiveness Initiative. Even with this phase-out, physical education programs may be supported by LEAs with funding received under the State Grants for Innovative Programs authority. In addition, these programs have historically been supported by States and LEAs without Federal support.

Department of Education: Discretionary Proposal
Mentoring Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	49	19	-30

Background

The Mentoring program funds grants to Local Educational Agencies (LEAs), non-profit community-based organizations, and partnerships of the two to establish and support mentoring programs and activities for children who are at risk of educational failure, dropping out of school, or involvement in criminal or delinquent activities, or who lack strong, positive role models. The projects must be designed to link these children with mentors who have received training and support in mentoring and are interested in working with such children.

The 2006 Budget proposed to support only continuation awards for the Mentoring program and phase out the program completely by the end of 2007. Congress provided the President's funding request for 2006.

By the end of 2007, the Federal government's three year investment in this program will have achieved its purpose of identifying promising mentoring practices and encouraging support for mentoring programs among private and non-profit entities. Even with this phase-out, mentoring activities will continue to be a vital part of many Federal programs, especially programs operated by faith-based providers and community based organizations. The White House Task Force on Disadvantaged Youth identified over 100 youth programs which support mentoring in 13 agencies, and most of these programs continue to receive support in the 2007 Budget.

Administration Proposal

The Administration proposes to continue the phase-out of the Mentoring program in FY 2007 by reducing funding by $29.8 million. With the amount requested, the Department would pay third year continuation costs for mentoring grant awards first funded in 2005 as the final year of the program. Approximately $1 million of this amount would be used to continue the national evaluation of these projects.

Department of Energy: Discretionary Proposal
Environmental Management

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	6,590	5,828	-762

Background

More than 50 years of nuclear weapons production and energy research have resulted in significant radioactive and hazardous waste at Federal facilities. Established in 1989, the Environmental Management program is responsible for cleaning up 114 of the Department of Energy's (DOE) sites, consistent with State and Federal environmental laws and regulations. In 2002, DOE completed an extensive assessment of the program and began implementing recommendations to accelerate cleanup and reduce costs. The 2003 Budget provided additional funding to sites that agreed with regulators to implement revised cleanup strategies. The peak year of funding for this multi-year initiative was 2005.

Administration Proposal

The 2007 Budget proposes to reduce program funding primarily due to the successful completion of the following closure sites: Rocky Flats (Colorado), Columbus, Fernald, and Mound (Ohio). The Rocky Flats site was completed more than one year ahead of schedule and significantly below estimated costs. The Budget provides funding to continue implementing clean up, which will significantly reduce environmental, safety, and health risks.

Department of Energy: Discretionary Proposal
Weatherization Assistance Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	243	164	-79

Background

The Weatherization Assistance Program provides block grants to States to improve the home energy efficiency (e.g., by insulating walls and attics) of low-income families, reducing their energy bills. The program's PART rating is moderately effective (2003). The program is currently meeting the performance targets established in the PART (e.g., number of home weatherized each year), and maintains a positive benefit-cost ratio according to internal program assessments. A comprehensive external assessment is underway.

The 2002 Budget proposed to significantly increase funding for this program, resulting in an increase in appropriations of more than $75 million in 2002 to $230 million. Congress provided similar funding levels though 2006, resulting in a cumulative funding increase of $387 million compared with 2001.

Administration Proposal

The 2007 Budget proposes to reduce funding for the program and focus Department of Energy funds on research and development efforts with the potential to provide significant energy and economic benefits to all Americans. The Budget also includes a substantial funding increase for the Low-Income Home Energy Assistance Program (LIHEAP). Up to 25 percent of LIHEAP funds may be used to support weatherization improvements. The 2007 Budget reflects total funding of $2,782 million for LIHEAP, an increase of 27 percent compared with 2006. This 2007 funding total includes $1 billion provided in the budget reconciliation bill.

Department of Energy: Discretionary Proposal
Clean Coal Power Initiative

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	50	5	-45

Background

The Clean Coal Power Initiative (CCPI), initiated in 2002, fosters the introduction of new clean coal technologies for use in electric power generation through demonstration projects cost-shared with industry. CCPI has experienced delays in implementing demonstration projects that achieve the best results for the American taxpayer. As identified in the PART review, CCPI project delays have resulted in a backlog of unused balances, currently over $500 million. These delays are due to legal issues with contract filing, the private sector's difficulty securing adequate financing for their cost-share, extended negotiations over contract terms, and other issues. Furthermore, the PART review identified potential project management concerns.

Administration Proposal

The 2007 Budget restricts the addition of new funds to CCPI, so that the program can take steps to improve the use of funds already provided for projects (over $500 million) and potential future funds. The program is working to:

- Improve project selection criteria to ensure consistency with Office of Fossil Energy goals and the Administration's Research and Development Investment Criteria.
- Ensure that projects progress to commencement of construction in a timely manner.
- Strengthen the Department's ability to withdraw funding from stalled projects.
- Improve project management controls to ensure that desired results are achieved on schedule and on budget.

Improvements to the program will allow ongoing and potential future projects to better foster a diverse supply of reliable, affordable, and environmentally sound energy through accelerated introduction of clean coal technologies.

Department of Health and Human Services: Discretionary Proposal
Children's Hospital Graduate Medical Education Payment Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	297	99	-198

Background

The Children's Hospitals Graduate Medical Education Payment program began as a $40 million financing subsidy in 2000 and has grown nearly eight-fold in the past five years despite a PART assessment that concluded there is not a demonstrated need for this formula-driven subsidy. These payments are given to free-standing children's hospitals via a statutory formula that incorporates the number of residents, number of discharges, number of beds, and the hospital's case-mix. In 2006, the program provided an average subsidy of $4.9 million to 61 children's hospitals. However, children's hospitals are more likely to have positive profit margins than other hospitals. In 2000, 74 percent of children's hospitals had positive margins, compared to 67 percent of all hospitals, and 59 percent of major teaching hospitals. Past President's Budgets have requested reduced funding for this program.

Administration Proposal

The Budget reforms the payment structure for this subsidy. The reformed payments will be directed to those hospitals with the greatest financial need that treat the largest number of uninsured patients and train the greatest number of physicians. This reform will direct federal financing where it is needed most.

Department of Health and Human Services: Discretionary Proposal
HRSA Health Professions

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	295	159	-136

Background

The Health Professions training grants at the Health Resources and Services Administration (HRSA) finance academic institutions to help meet the costs of training and educating students to become nurses, doctors, dentists, and other health professionals. These grants were authorized 40 years ago, partially in response to an anticipated national shortage of physicians that does not exist today. Between 1992 and 2003, the U.S. physician population increased by 31 percent, over twice the rate of growth of the total population. Evaluations have not linked the Health Professions training grants to changes in supply, distribution, and minority representation of physicians and other health professionals, thus, Health Professions received an Ineffective PART rating.

Administration Action

The 2007 Budget requests $159 million for Health Professions, phases-out most health profession grants and directs resources to activities that are more capable of placing health care providers in medically-underserved communities. Continuing these subsidies to persuade people to enter well-paid medical careers is not the best use of Federal funds, particularly when there is no national shortage of physicians. While there are regions and pockets of the county that face shortages, only two of every ten providers who benefit from the program's long-term training support enter shortage areas. Further, there are no data on how long graduates who do enter service in shortage areas continue to serve.

Many hospitals and long-term care facilities still have nursing vacancies, especially for Registered Nurses. The Budget maintains grants for the education and training of nurses. The Budget invests $150 million in this area, including scholarships and loan repayments in exchange for a service commitment in an underserved community. The Budget improves access to health care by also focusing investments on programs with a demonstrated impact on placing health professionals in underserved areas.

Department of Health and Human Services: Discretionary Proposal
Poison Control Centers

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	23	13	-10

Background

The Poison Control Center Enhancement and Awareness Act (P.L. 106-174) was enacted in February 2000 to provide a source of supplemental support to Poison Control Centers and was amended and reauthorized in December 2003 (P.L. 108-194). The Act authorizes assistance for poison prevention and for Poison Control Centers as they achieve financial stability and certification.

Fifty-five of 61 Poison Control Centers, or 90 percent, are now certified, up from 70 percent in 2000. Poison Control Centers have stabilized their funding for basic operations and have begun developing partnerships with public health agencies as well as with other Poison Control Centers.

Administration Proposal

The 2007 Budget requests $13 million for Poison Control Centers. The Budget acknowledges the reduced need for Federal funding due to the enhanced integration and coordination of Poison Control Center activities. In addition, 55 of the 61 Poison Control Centers no longer require Federal assistance to achieve certification.

Department of Health and Human Services: Discretionary Proposal
HRSA Rural Health

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	160	27	-133

Background

Rural Health funding at the Health Resources and Services Administration (HRSA) supports Critical Access Hospitals (CAH) and policy development, State offices of rural health, and provider network planning. Past Budgets have proposed reducing or eliminating funding for these activities. Congress increased funding for this program by $15 million in 2006.

The HRSA Rural Health activities duplicate those of other Federal programs. The Department of Health and Human Services (HHS) administers 225 health and social services programs that provide resources to rural areas. The Medicare Modernization Act (MMA) contains several provisions to support rural health, for example by increasing Medicare CAH payments to 101 percent of costs and broadening eligibility criteria for CAHs. The number of CAHs receiving enhanced Medicare payments has grown significantly since the passage of the MMA.

Administration Proposal

The 2007 Budget requests $27 million for HRSA's Rural Health programs. The Budget maintains funding for State offices of rural health and for rural health research activities conducted under the Policy Development program. Funding is reduced for defibrillators, as much of the demand for these medical devices has been met. Consistent with previous President's requests, funding is eliminated for programs that duplicate other HHS and Federal agencies' programs.

The Budget maintains support for health care in rural areas. Medicare, through the CAH program, provides payments that improve the profitability of many rural hospitals and ensure that beneficiaries can continue to find a Medicare provider wherever and whenever they need care. The Budget proposes $1.963 billion, a $181 million increase, for Health Centers. More than 50 percent of Health Centers are in rural areas and seven million low-income and underserved individuals will receive health care from rural Health Centers in 2007.

Department of Health and Human Services: Discretionary Proposal
Social Services Block Grant

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	1,700	1,200	-500

Background

The Social Services Block Grant (SSBG) was established in 1981 to help States provide a broad range of social services to help needy families achieve economic self-sufficiency, to prevent or remedy neglect or abuse, and to secure institutional care, when appropriate. States receive a capped block grant with few Federal requirements. While this approach maximizes State flexibility to determine what services to provide and whom to serve, it has failed to ensure that funds are directed most effectively. The program lacks performance measures or other means to demonstrate that the SSBG funds are producing results. SSBG overlaps with other Federal social service programs that serve low-income and needy families including Federal child care and child welfare programs, Temporary Assistance for Needy Families, and programs that provide services to the elderly.

Administration Proposal

The 2007 Budget proposes to reduce funding for the SSBG by $500 million in FY 2007. Federal support for social services will continue through other funding streams such as Temporary Assistance for Needy Families, the Child Care and Development Fund, and Promoting Safe and Stable Families.

Department of Health and Human Services: Discretionary Proposal Substance Abuse and Mental Health Administration Programs of Regional National Significance

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	851	780	-71

Background

The Substance Abuse and Mental Health Services Administration's (SAMHSA) Programs of Regional and National Significance fund diverse activities for mental health, substance abuse prevention, and substance abuse treatment. These activities range from direct services to disseminating information on effective strategies for treatment and prevention of mental illness and substance abuse. The PART found that it is not evident that all activities are effective or efficient at improving mental health and substance abuse services. While some activities more directly expand access to services, the relationship between those activities and activities to improve the quality of services, such as training and communications, is unclear. The Administration has proposed reductions to this program in the past.

Administration Proposal

The 2007 Budget focuses resources on areas that most directly contribute to the service mission of SAMHSA. The Budget provides $25 million for methamphetamine drug treatment vouchers. The Budget also includes a reform proposal to improve mental health services supported by the $407 million Community Mental Health Services Block Grant.

Department of Homeland Security: Discretionary Proposal
Office of Grants and Training

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	1,789	1,095	-694

Background

The DHS Preparedness Office of Grants and Training (OG&T) provides grants, training, and other assistance to enhance the homeland security capabilities of State and local governments. OG&T was created by Secretary Chertoff's Second State Review reorganization, incorporating Office of Domestic Preparedness homeland security grants, Emergency Management Performance Grants, Assistance to Firefighter Grants, and various transportation infrastructure grants. These programs have received significant funding increases in the wake of September 11th, receiving a total of $17.7 billion from 2002-2006. However, given unclear results and the pressing needs in other homeland security agencies, the Administration has not sought increases in DHS grant funding since 2003.

Congress has tended to "stovepipe" funding into narrow programs, limiting DHS flexibility to allocate State grants based on risk and threat. As discussed in PART findings, State Homeland Security Grants, the State and Local Training Program, the Technical Assistance Program, and Assistance to Firefighter Grants have had difficulty in targeting their resources towards threat-based homeland security priorities, measuring State and local progress, and demonstrating the results of billions of dollars spent in recent years. The Emergency Management Performance Grant program lacks clear goals, and primarily serves to offset the salaries of State and local emergency managers.

Administration Proposal

The 2007 Budget proposes reductions to six grant and training programs totaling $694 million, of which $320 million has been redirected to other Preparedness grant programs, and $373 million directed to other DHS activities.

- State Homeland Security Grants are reduced by $308 million by merging Law Enforcement Terrorism Prevention Grants into the broader, more flexible program.
- Emergency Management Performance Grants are reduced by $13 million to the 2006 Budget request level of $170 million.
- The State and Local Training program is reduced by $116 million by cutting unrequested training center funds that have continued past earmarks.
- The Technical Assistance Program is reduced by $8 million.
- Assistance to Firefighter Grants, covering equipment and vehicles, are reduced by $246 million (to $293 million), sufficient to fund the highest priority applications.
- A $3 million reduction to the National Exercise Program reflects a greater emphasis on supporting homeland security exercises through other resources.

Department of Housing and Urban Development: Discretionary Proposal Public Housing Capital Fund

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	2,439	2,178	-261

Background

Since the 1930s, the Federal Government has supported the provision of housing assistance to low-income households through the construction and operation of public housing. Although the housing is owned by local public housing authorities, Federal funds pay most operating costs as well as capital improvements. This arrangement often requires assisted households to live in less desirable locations and units in order to receive the housing subsidy. In contrast, other alternatives, such as Section 8 Tenant-based Assistance, allow families to select housing in neighborhoods with lower poverty and crime rates as well as better schools, and can also be used for homeownership.

The Public Housing Capital Fund currently pays for the annual and long-term modernization needs of 1.2 million public housing units. Public housing capital needs are estimated to accrue at a rate of about $2 billion a year.

The condition of public housing units in general has improved through modernization and, in other cases, demolition of units in the worst condition. Today, 85 percent of public housing units meet the Department of Housing and Urban Development’s physical standards, as opposed to 82 percent in 2001. Since 1998, to pay for more comprehensive capital improvements, public housing authorities have been exercising flexible authority to use their Capital Fund dollars to leverage additional private bond or mortgage financing, repaid from capital funds. The use of such borrowing for capital needs has grown to over $2.5 billion.

Administration Proposal

The Budget proposes to reduce funding for public housing modernization and renovation by 11 percent in 2007. The amount provided continues to cover the annual accrual of new capital needs, and public housing authorities are able to fund additional capital needs by leveraging private investment dollars with their Capital Fund allocations. The Budget proposes to redirect program savings to higher priority programs that more effectively deliver housing assistance to low-income households, such as the HOME block grant and Section 8 Tenant-based Assistance.

Department of the Interior: Discretionary Proposal
Bureau of Indian Affairs School Construction

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…........	207	157	-50

Background

The Bureau of Indian Affairs (BIA) serves approximately 48,000 students and resident-only boarders (about seven percent of all Native American children) in 184 elementary and secondary schools and dormitories located in 23 States. In 2001, many of the schools were old and in decaying conditions that threatened the health, safety, and learning opportunities of the students. The President committed to spend nearly $1 billion to repair and replace these schools starting in 2002. This funding commitment has been met.

A 2006 Re-PART of the program showed that BIA is making progress to address management deficiencies identified in the initial PART. For example, BIA no longer finalizes construction cost estimates before the design is completed, and now limits the amount of funds obligated for construction projects prior to completion of planning and design. The program has also adopted a performance goal to complete planning, design, and construction within four years of funding; however, BIA continues to lag behind in the completion of replacement school projects. Of the 37 replacement schools funded from 2001 through 2006, only 10 have been completed. In addition, BIA has had difficulty absorbing funding increases during the last several years, and has carried over large unobligated balances each year, including approximately $200 million into 2006.

Administration Proposal

The 2007 Budget proposes a manageable level of funding that is sufficient to fully or partially fund up to 4 replacement schools and several major rehabilitation projects. The reduced level will allow BIA time to catch up with its construction projects. In fact, BIA expects to complete 19 replacement schools in 2006 and 2007 that were funded during the last several years. In 2001, only 35 percent of these schools were in good or fair condition while the rest were in poor condition. With the 2007 budget, the reverse is true. More than 67 percent of the schools will be in good or fair condition when construction is completed.

Department of Interior: Discretionary Proposal
Bureau of Reclamation (excluding Central Utah Project)

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…........	977	850	-127

Background

The President's Budget focuses resources on keeping existing facilities in good working condition, and on making progress on construction for priority projects. The proliferation of funding for relatively low-return projects detracts from high-priority projects: Construction takes longer to finish, and it may take longer for people to gain access to water for their families, businesses, and crops. PARTs conducted on Reclamation's Project Planning and Construction, Operations and Maintenance, and Hydropower programs, as well as a recently released National Research Council report on Reclamation's challenges in managing its infrastructure, suggest that priority should be placed on completing existing projects, and on maintaining and rehabilitating the agency's existing infrastructure.

The 2002 Farm Bill transferred $200 million from the Commodity Credit Corporation to Reclamation for use in restoring several Desert Terminal Lakes. These are lakes in arid areas without an outflow. When water inflows to these lakes are decreased due to diversions for other uses, the water becomes salty and toxic to fish. The $200 million exceeds what Reclamation is able to effectively spend to restore the lakes, resulting in a significant unobligated balance of these funds.

Administration Proposal

The Budget proposes to reduce funding for low-priority construction projects and studies, many of which were either earmarked in the 2006 appropriations or have been funded at levels higher than is merited relative to their national benefits. Additionally, the Administration proposes to cancel unobligated balances of Desert Terminal Lakes funds, resulting in a total decrease of net appropriations of $127 million for 2007.

Department of the Interior: Discretionary Proposal
United States Geological Survey - Mineral Resources Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority……………	53	31	-22

Background

The Mineral Resources Program (MRP) maintains national databases and provides information on the location and quantity of minerals, formation of minerals, and the impact of mining on the environment. MRP annually produces 4-5 systematic analyses, and 700-720 mineral commodity reports. It also maintains five national geologic, geochemical, geophysical databases. Many of the products are directed to the interests of States, local governments, industry and academia rather than the Federal government.

Administration Proposal

The 2007 Budget reduces MRP work on national and international mineral assessment products and basic research that benefit States, local governments, industry and academia. State and local governments, industry, and universities will fund their own mineral assessments and basic research if these products are a priority to them. Remaining funds will be focused on mineral surveys, studies, and commodity reports that are relevant to ongoing Federal land management, regulatory, and remediation activities.

Department of Labor: Discretionary Proposal
State Job Training Grants Consolidation

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	3,927	3,413	-514

Background

Currently, under the Workforce Investment Act (WIA), there are several duplicative job training and employment programs, excessive bureaucracy and red tape, and too much spending on overhead costs. As a result, not enough of the nearly $4 billion in resources associated with the following WIA programs goes to train workers: Dislocated Worker Assistance; Adult Employment and Training Activities; Youth Activities; Wagner-Peyser Employment Service State grants; Labor-Market Information funding; and State grants to administer the Work Opportunity and Welfare-to-Work tax credits.

Administration Proposal

The 2007 Budget proposes reforms that will expand individual choice and provide training opportunities to more workers, while streamlining the Department of Labor's activities and reining in overhead costs at the State and local levels. The President's reforms would consolidate these similar programs, put strict limits on overhead, and provide States with additional flexibility to decide how they provide employment services and training. States should be allowed to design workforce systems that work better, with less Federal red tape. In return, States should eliminate unnecessary overhead so that more resources can be directed to program participants. Through these reforms, the President's proposal will save $0.5 billion in taxpayer dollars while training more workers.

The 2007 Budget provides $3.4 billion for consolidated State grants to support an important new ownership society initiative: Career Advancement Accounts (CAAs). These accounts of up to $3,000 will be available to workers entering the workforce or transitioning between jobs, or incumbent workers in need of new skills to remain employed or to move up the career ladder. The CAAs will:

- Triple the number of workers trained through the current programs by extending training opportunities to some 800,000 workers annually.
- Expand workers' choices in the training and education they need to improve their earnings and employment. Workers will have the resources to take the longer-term training that leads to higher paying jobs.
- Increase flexibility by allowing individuals to use their accounts for training and other services to help them advance their careers.

Department of Labor
Discretionary Proposal
International Labor Affairs Bureau

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	73	12	-61

Background

The 2007 Budget seeks to restore the International Labor Affairs Bureau (ILAB) to its original mission of research and advocacy by eliminating its grant-making activities. Between 1996 and 2001, ILAB's funding rose by 1,500 percent, when the agency embarked on an expansive grant-making mission intended to combat international child labor, develop and disseminate AIDS prevention information in the international workplace, support core labor standards development, and provide bilateral technical assistance.

The funding provided to other international efforts, such as the Millennium Challenge Account (MCA), far outstrips ILAB's grant-making activities. The 2007 Budget includes $3 billion, a $1.2 billion increase (71 percent) over 2006 to continue the international assistance activities in developing countries through the MCA.

Administration Proposal

The 2007 Budget proposes $12 million for ILAB, returning the agency closer to its core mission of research and policy analysis. In 2007, ILAB will continue to focus on administering over $400 million in technical assistance projects that were launched in previous years, including those addressing child labor. In addition, ILAB will continue to support the Administration's international trade agenda.

Department of Labor: Discretionary Proposal
Office of Disability Employment Policy

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	28	20	-8

Background

The Congress created the Office of Disability Employment Policy (ODEP) in 2001 to bring a heightened focus on disability employment *within DOL* through policy evaluation, technical assistance, and the development of best practices. ODEP succeeded the expiring President's Task Force on Employment of Adults with Disabilities that was created by Executive Order in 1998 and terminated in 2002 after submitting its final report.

ODEP was tasked with implementing a sustained, coordinated, and aggressive employment strategy to eliminate job barriers for people with disabilities. However, between 2001 and 2005, ODEP expanded its responsibilities to include a $26 million grant program that included homelessness, mental health, international disability, veterans, and homeland security issues.

Administration Proposal

The 2007 Budget proposes $20 million, returning ODEP closer to its core mission of policy analysis, technical assistance, and dissemination of effective practices to increase the employment opportunities for people with disabilities within the Department of Labor's programs. In 2007 ODEP will focus its efforts on developing and implementing disability employment policy to increase the recruitment, retention, and promotion of people with disabilities.

Department of Transportation: Discretionary Proposal
Amtrak

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…........	1,294	900	-394

Background

Amtrak is the Government-sponsored provider of intercity rail, which the Administration has sought to reform because it consistently has lost money, requiring a subsidy from taxpayers while providing inferior service. The 2006 Budget proposed no funding to indicate the Administration's lack of confidence in the status quo and to spur the enactment of essential reforms. In the 2006 appropriations act, Congress provided $1,294 million but also included some positive measures increasing accountability such as providing separate operating and capital grants, directing Amtrak to achieve savings through operating efficiencies, authorizing the Department of Transportation (DOT) to collect fees from transit companies for their use of the Northeast Corridor, and giving DOT more discretion over $31 million in grant funds.

Administration Proposal

To build on positive gains achieved this year, the 2007 Budget requests $900 million, which would keep the trains running but require that Amtrak aggressively reduce its costs. With a $900 million Federal contribution, Amtrak's leadership will need to work closely with DOT to identify cost-cutting opportunities, starting with the recommendations recently made by the independent General Accountability Office and DOT Inspector General. Limiting Amtrak's subsidy is the only way to improve its financial and operating performance. Unless faced with a restrained budget, Amtrak will lack the incentives to grapple with costs, rationalize its services, and pursue innovations such as competing the operation of routes. The 2007 Budget also proposes to strengthen DOT's oversight of how Amtrak spends Federal funds.

Department of Transportation: Discretionary Proposal
Federal Aviation Administration
Airport Improvement Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Obligation Limitation.....	3,515	2,750	-765

Background

In 1946, the Federal-Aid Airport Program was authorized to promote the development of a system of airports around the country. The current program, known as the Airport Improvement Program (AIP), was established by the Airport and Airway Improvement Act of 1982. AIP funding is drawn from the Airport and Airway Trust fund, which is supported by user fees, fuel taxes and other revenue sources. AIP, which includes formula and discretionary grants, is used to improve airport capacity through the rehabilitation and construction of new and existing runways, taxiways and facilities. Funds are also used to improve airport safety and address noise and environmental concerns.

A PART review of the program, which received a score of "Moderately Effective," concluded that dependence on AIP assistance varies based on airports' location, size and financial resources. Large airports are less dependent on Federal funds because of their ability to access different revenue sources, such as landing fees and passenger facility charges.

Administration Proposal

The 2007 Budget proposes a funding level of $2,750 million for AIP – a $765 million reduction from 2006. This level of funding is robust by historical standards – AIP was funded at just $1.9 billion as recently as 2000. FAA's grant program is reduced in order to finance growth in FAA's salary and expenses program, including hiring 132 air traffic controllers and 116 safety inspectors. In the next two years, the FAA will commission five runway projects, providing these airports with the potential to accommodate 250,000 more annual operations.

In addition, airports can meet infrastructure needs through revenues generated from passenger facility charges (PFC). Many airports do not take full advantage of this legal authority to charge user fees, which FAA estimates could produce an additional $300 million annually for airport development needs.

Department of the Treasury: Discretionary Proposal
Internal Revenue Service Business Systems Modernization

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	197	167	-30

Background

The Internal Revenue Service's (IRS) information technology systems are outdated and pose a significant barrier to the IRS in its efforts to provide efficient and effective tax enforcement and taxpayer service. The IRS began a major effort to modernize these systems in 1998 called Business Systems Modernization (BSM). This is an unusually large and complex modernization project. The IRS' information technology systems handle more than one billion tax and information returns and other documents and account for more than two trillion dollars in revenue each year. BSM has achieved some successes leading to significant improvements in telephone and internet services, and increased electronic filing. However, in many cases projects have suffered from cost, schedule, and performance problems, and overall progress has been slower than anticipated.

Administration Proposal

In order to address these performance issues, the IRS is revising its modernization strategy to emphasize completion of incremental projects to deliver business value sooner and at lower risk. Based on this strategy, the 2007 Budget funds continued investments in BSM at a reduced level. In 2007, BSM will invest in further improvements in electronic filing options for taxpayers, tools to help the IRS manage private debt collectors and improve its own collection programs, and continued work to replace the IRS' antiquated core taxpayer databases.

Environmental Protection Agency: Discretionary Proposal
Alaska Native Villages

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	34	15	-20 *

*Difference due to rounding.

Background

The Alaska Native Villages program provides grants to the State of Alaska for the development and construction of public water and wastewater systems in rural and Native villages. Many rural and Native Alaska communities lack basic sanitation infrastructure – specifically, flush toilets and running water. In these communities rudimentary sewage collection and disposal poses a threat to the health and environment of villagers.

A PART evaluation revealed serious programmatic and financial weaknesses that prevent citizens from fully benefiting from the program. The program lacks sufficient oversight at both the Federal and State level, as evidenced by the findings of waste and abuse in a State of Alaska legislative audit. The audit found many unexplainable purchases of services and equipment, and poor project management that led to cost overruns and other wasteful spending. The Environmental Protection Agency (EPA) Office of Inspector General released a report with similar conclusions.

Administration Proposal

The Budget provides $15 million for the Alaska Native Villages program, a $20 million reduction from 2006. The Administration also recommends that EPA develop regulations that improve accountability and address the program's systemic financial and programmatic deficiencies. The funding reduction will be reconsidered once the program can demonstrate that funding is likely to effectively and efficiently help villagers. The Administration will continue to work to address the remaining unserved villages.

Environmental Protection Agency: Discretionary Proposal
Clean Water State Revolving Fund

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	887	688	-199

Background

The Clean Water State Revolving Fund (SRF) provides grants to States to capitalize their municipal wastewater State revolving funds. States provide matching funds and then make loans to communities at below-market rates for wastewater infrastructure projects such as sewer rehabilitation and treatment plant expansion. Loan repayments and interest are recycled back into the program, allowing it to "revolve." The revolving level is the amount of loans available annually over the long term after Federal capitalization ends.

The 2004 Budget committed to providing the Clean Water SRF a total of $6.8 billion ($850 million annually) between 2004 and 2011, resulting in a long-term $3.4 billion annual revolving level. This new policy represented six additional years of funding beyond the previous Administration's commitment, and an increase from the previous revolving level target of $2 billion.

Administration Proposal

The Budget funds the Clean Water SRF at $688 million. In 2004, 2005 and 2006, the Congress provided significantly more for the program than requested (+$492 million, +$291 million, and +$157 million, respectively). Because of these increases, the program needs less funding than in previous years to meet the Administration's Federal capitalization target of $6.8 billion and long-term annual revolving level target of $3.4 billion.

International Assistance Programs: Discretionary Proposal
Assistance for Eastern European Democracy

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	357	274	-83

Background

The Assistance for Eastern European Democracy program supports the political and economic transition to market-oriented economies and open democracies and addresses major socioeconomic dislocations where they occur during these transitions. This account was first authorized in 1989. The programs and funding are managed by a State Department assistance coordinator within the Bureau of Europe and Eurasian Affairs. The economic and democratic transitions in Eastern Europe, while slower than first believed, are progressing in several countries, thus reducing the need for U.S. assistance.

Administration Proposal

The 2007 Budget reduces the Assistance for Eastern European Democracy (SEED) account by $83 million from 2006 enacted levels. Of this reduction, $54.5 million is due to the graduation of Romania, Bulgaria, and Croatia from U.S. assistance. Each of these countries is an applicant to the European Union, and Romania is slated for ascension in 2007. This criterion meets the performance measurement standards established by the Coordinator's office to best determine if a country's transition to democracy and free market economies is irreversible.

The additional $28.5 million reduction is due to excess unobligated balances in the account.

International Assistance Programs: Discretionary Proposal
Assistance for the Independent States of the Former Soviet Union

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	509	441	-68

Background

The Assistance for the Independent States of the Former Soviet Union funds economic and democratic transitions of these countries to market-based democracies. These programs are designed to address major socioeconomic dislocations where they occur during these transitions. This account was first authorized in 1992 and first funded in 1993. The programs and funding are managed by a State Department assistance coordinator within the Bureau of Europe and Eurasian Affairs. The economic and democratic transitions in the former Soviet Union, while slower than first believed, are progressing in several countries.

Administration Proposal

The proposed $68 million reduction in the Assistance for the Independent States of the Former Soviet Union (FSA) account includes a $34 million reduction in the amount of assistance to Russia and $19 million reduction to Armenia from the 2006 enacted levels.

Russia is an upper middle income country, running a federal budget surplus and experiencing increasing real disposable income and decreasing inflation. Russia also has the economic stature and internal stability to hold the 2006 presidency of G-8 group. Remaining funding for Russia in 2007 will focus on supporting democracy and civil society programs.

Armenia has also shown progress. The Millennium Challenge Corporation (MCC) approved a five-year $235.7 million compact for Armenia on December 19, 2005. The MCC is a multi-billion dollar innovative program that allows countries with good governance and sound economic policies to take ownership of their economic development programs and identify what is most likely to reduce poverty and create sustained economic growth. As such, MCC provides a more effective source of development assistance than traditional programs. Therefore, a progressive phase-out of FSA assistance for Armenia supports the MCA assistance compacts to be signed in these countries.

The additional $15 million reduction is due to excess unobligated balances in the account.

National Aeronautics and Space Administration: Discretionary Proposal
Aeronautics Research Mission Directorate

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	884	724	-160

Background

In existence since 1915, the National Aeronautics and Space Administration's (NASA) Aeronautics Research Mission Directorate has recently reshaped its programs to re-establish long-term fundamental aeronautics research, increase focus on safety research, address the needs of the future air transportation system, and preserve wind tunnels deemed critical as agency and national assets. The results of these activities are used by NASA, other government agencies, and industry to create a safer, environmentally friendly, and more efficient air transportation system.

In the past, some of NASA's aeronautics work focused on the incremental development of technologies that could be commercialized in the near-term. Such development should be funded by the private sector and is not consistent with the guidance provided by the Administration's R&D Investment Criteria. In addition, the National Research Council (NRC) recently reviewed the program and recommended that NASA reduce the number of projects in its research portfolio and focus on more high-risk, high-payoff aeronautics research. Over the past year, NASA has made a concerted effort to restructure its programs in response to these NRC recommendations and the R&D Investment Criteria. The restructured program focuses on cutting-edge pre-competitive capabilities and technologies andbetter focuses on the highest priority areas of aeronautics research, in which the government's role is fully justified.

Administration Proposal

The 2007 Budget proposes to reduce funding, consistent with the restructured, better defined aeronautics programs.

NASA will continue to use an aggressive approach to improve aeronautics research programs, while ensuring flexibility to address the findings and recommendations of the forthcoming aeronautics policy and NRC aeronautics decadal study.

Corporation for Public Broadcasting: Discretionary Proposal

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority............................	460	346	-114

Background

The Public Broadcasting Act of 1967 established the Corporation for Public Broadcasting (CPB) as an independent non-profit corporation charged with encouraging educational, cultural, and community-based broadcasting, and the distribution of such services to all citizens. At the time of its establishment, there were approximately 4 million cable subscribers and only three television networks. Currently, approximately 90 million (85 percent of all U.S.) households receive television through cable or satellite and may choose among hundreds of channels. Public broadcasting's share of viewership has declined by nearly 40 percent since 1987 (to about 1.7 percent of viewers) as choices have increased.

CPB typically receives appropriations two years in advance, and its funds make up approximately 15 percent of public broadcasting revenue. Under the Public Broadcasting Act, Federal funds are currently allocated in part with the intent of stimulating non-Federal support of the system. CPB, following consultation with public broadcasting licensees, allocates much of the funding by formula based on the size of non-Federal funding each station receives, with the result that the largest stations tend to receive the largest Federal contribution. Donations from individuals, businesses, foundations, universities, and State and local governments provide the balance.

Administration Proposal

The 2007 Budget proposes to rescind $54 million of CPB's enacted 2007 appropriation and permit CPB to use a portion of the remaining amount on digital television transition and broadcasting system interconnection activities. These changes are consistent with the changing television market and can be mitigated by the public broadcasting system's diverse funding sources, which the Administration believes should be emphasized going forward. To ensure Federal funding provides the greatest benefit, CPB, in consultation with public broadcasting licensees, will continue to explore more effective means for targeting resources to areas of most need.

Denali Commission: Discretionary Proposal

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	53	6	-47

Background

The Denali Commission, established in a 1999 Appropriations Act, is a Federal partnership with Alaska to fund utilities, infrastructure, and other assistance to distressed rural communities in Alaska. In addition to requested funding of $6 million in 2006, the Commission received unrequested funding totaling $133 million, both directly and through other Federal agencies. This includes $20 million of mandatory funding provided by the Safe, Accountable, Flexible & Efficient Transportation Equity Act.

While Alaska faces some unique development challenges, the Commission's grant-making is duplicative of other Federal investments in the State. Community and economic development, infrastructure development, and training activities are also supported by a number of other Federal agencies, including the Departments of Agriculture, Commerce, Health and Human Services, Housing and Urban Development, Labor, and Transportation. In addition, the PART assessment of the Commission found that it has challenges evaluating performance achieved with its funds.

Administration Proposal

The 2007 Budget requests $6 million for the Denali Commission, which will end the Commission's direct grant-making, but will allow it to continue a constructive role as a regional planner and coordinator of other Federal investments in Alaska. Alaska will continue to receive funding for economic development, health care, and job training through other Federal sources, and the Denali Commission will assist distressed communities in identifying appropriate funding sources for their local needs.

National Archives and Records Administration: Discretionary Proposal
National Historical Publications and Records Commission

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…............	8	---	-8

Background

The National Historical Publications and Records Commission (NHPRC) provides grants to States, local governments, and other institutions for projects to preserve and publish non-Federal records. Other Federal agencies, such as the National Endowment for the Humanities, also provide grants for which many NHPRC recipients would be eligible to apply.

Administration Proposal

The Administration proposes no new funding for grants for the NHPRC in order to fund higher priority areas within the National Archives and Records Administration, such as management of electronic records. The Commission itself would retain all other authorized functions, such as advisory roles.

SPENDING REFORM PROPOSALS

Summary of Discretionary Reform Proposals
(Budget authority in millions)

Reform Proposals	2006 Enacted	2007 Request	2007 Request less 2006 Enacted
Department of Agriculture			
Farm Service Agency User Fees	---	-35	-35
Departments of Commerce/Housing and Urban Development			
Strengthening America's Communities Initiative	4,050	3,359	-691
Department of Defense			
Defense Health Program	---	-735	-735
Department of Health and Human Services			
Centers for Medicare and Medicaid Services Program Management Survey and Certification User Fee	---	-35	-35
Department of Homeland Security			
Transportation Security Administration: Recover Aviation Security Screening Costs Through User Fees	-2,260	-3,986	-1,726
Department of Housing and Urban Development			
The Federal Housing Administration's Mutual Mortgage Insurance Loan Guarantee Program	-839	-845	-6
Federal Housing Administration General and Special Risk Insurance	---	-115	-115
Ginnie Mae	---	-54	-54
Department of Justice			
ATFE Explosives Regulation Fee	---	-120	-120
Department of Labor			
Application Fee for the Permanent Foreign Labor Certification Program	---	-23	-23
Department of Veterans Affairs			
User Fees Medical Care	---	-795	-795
Corps of Engineers (Civil Works)			
Performance Guidelines for Funding Construction Projects	2,558	1,685	-873
Small Business Administration			
Disaster Loan Program	441	85	-356
Business Loan Programs	---	-7	-7
Commodity Futures Trading Commission			
Transaction Fee	---	-127	-127
St. Lawrence Seaway Development Corporation			
Operations and Maintenance	---	-9	-9
TOTAL, Savings from Discretionary Reform Proposals			**-5,707**

Department of Agriculture: Discretionary Proposal
Farm Service Agency User Fees

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	---	-35	-35

Background

The Farm Service Agency (FSA) was established to contribute to a viable agricultural sector through the efficient administration of farm commodity, loan, conservation and emergency programs. One of the services provided to agricultural producers to assist in interim financing around harvest time is the Loan Deficiency Payment program. Loan deficiency payments provide price floors to protect producers from periods of very low commodity prices. FSA also administers the Conservation Reserve Program (CRP) to assist agricultural landowners in conserving land eligible for agricultural production. Through CRP, producers receive annual rental payments and cost-share assistance, based upon negotiated contracts, to establish long-term, resource conserving covers on eligible farmland.

Administration Proposal

In 2007, the budget proposes to partially offset the administrative cost associated with operating two programs at FSA. The first fee would apply a nominal service charge to loan deficiency payments (LDP) to help defray the cost associated with agency site visits and application preparation. The fee is estimated to be $5 per LDP and would most likely be collected by taking the fee amount as a reduction from the total LDP payment prior to issuance. The fee would not be assessed to electronic loan deficiency payments, as an incentive to encourage the use of FSA's web-based e-LDP program. The second fee would also apply a nominal service charge to conservation reserve program contracts (including re-enrollments and extensions) to help defray the cost associated with administering the program, including site visits to check compliance with program requirements. The fee would be determined by contract size and is estimated to average $100 per contract.

Departments of Commerce and Housing and Urban Development: Discretionary Proposal Strengthening America's Communities Initiative / Community Development Block Grant Reform and Economic Development Administration

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority:			
Housing and Urban Development/Community Development Block Grant………..………………	3,770*	3,032**	-738
Commerce/Economic Development Administration………………	280	327	+47
Total………………………..	4,050	3,359	-691

*BA includes $3,711 million for CDBG formula grant program, and $59 million for Indian CDBG; excludes earmarks in the amount of $407 million.
**Of the total, $57 million is set-aside for the Indian CDBG program and not included in SACI.

Background

Multiple Federal agencies currently provide economic and community development assistance through a variety of programs, including grants, loans and tax incentives. In 2004, a cross-cutting PART review of these programs showed that many had unclear objectives, did not coordinate effectively, and were unable to demonstrate measurable and sustained economic gains for communities. Specifically, $4.2 billion provided through 17 different programs was found to be duplicative or ineffective (see attached list of programs). Although the intent of these programs is to help communities in distress, many relatively well-off communities continue to receive funding.

The PART analysis rated the Community Development Block Grant (CDBG) as "ineffective" and found that its major problems include the lack of a clear purpose and annual and long-term outcome measures; weak targeting of funds to areas of greatest need; and inability to produce transparent information on results.

While the 2006 Budget's Strengthening America's Communities Initiative (SACI) proposal to eliminate CDBG in favor of one fund in Commerce was not enacted last year, there is growing recognition in the Congress and by a wide range of experts of the merits of reforms. The 2007 Budget reform proposal is a modified version of the 2006 proposal and is consistent with the overall reform objectives. The initiative has been restructured to consolidate the seventeen programs in a reformed CDBG and Commerce's Economic Development Administration (EDA).

Administration Proposal

The 2007 Budget re-proposes SACI. SACI's main objective is to create a results-based Federal community and economic development initiative for distressed communities to replace the current uncoordinated, overlapping collection of 17 Federal community and economic development programs from a diverse set of agencies. To increase the overall effectiveness of the reform, a common performance framework that includes a set of goals, standards, and indicators of economic progress will be developed and applied to the consolidated programs.

SACI reforms will consist of three main components: a reformed CDBG formula grant program, two incentive-based funds, and coordination of Federal community and economic development programs. The CDBG formula grant program and one of the incentive funds will be administered by the Department of Housing and Urban Development (HUD), while the Department of Commerce will administer a new regional economic development account.

HUD will propose legislation to reform the CDBG program, including an improved formula to target resources to communities that need them most. The Budget also proposes to use a portion of CDBG funds for a bonus fund that will reward communities that take proactive steps to create conditions for community and economic progress. Commerce's EDA will shift its focus to providing funding to those communities that implement regional strategies to further innovation and global competitiveness.

Programs Consolidated into the Strengthening America's Communities Initiative:

Department of Agriculture
Rural Business Enterprise Grants/Opportunity Grants
Economic Impact Grants
Rural Empowerment Zones/Enterprise Communities

Department of Commerce
Economic Development Assistance Programs

Department of Health and Human Services
Community and Economic Development
Rural Community Facilities

Department of Housing and Urban Development
Community Development Block Grant Formula Grants
National Community Development Initiative
CDBG Set-Asides
Brownfields Economic Development Initiative
Rural Housing and Economic Development
Urban Empowerment Zones Round II Grants
Community Development Loan Guarantees (Section 108)

Department of the Treasury
Community Development Financial Institutions Program
Bank Enterprise Award (BEA) Program
CDFI Native Initiatives

Department of Defense: Discretionary Proposal
Defense Health Program Health Benefit Changes

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority….....	---	-735	-735

Background

TRICARE is the military's healthcare program. Over recent years, continual administrative improvements, including access to providers and information, have made the system easier to use. In addition to TRICARE administrative enhancements, comprehensive TRICARE benefits and low costs make it an attractive option for beneficiaries. The average out-of-pocket costs for an under age 65 military retiree and family is about $1,000 per year with TRICARE Prime (managed care) and about $1,500 with TRICARE Standard (fee-for-service) coverage. A similar Federal employee family pays on average $3,100 per year under the most popular Federal Employee Health Benefits managed care plan and $4,650 per year under the most popular fee-for-service plan. However, steps must be taken to align the Department of Defense's (DOD) health care benefits with other plans due to health cost pressures from inflation and legislated program expansion. Without change, the medical costs are projected to grow to 11 percent of the DOD budget by 2015.

Administration Proposal

The President's Budget includes a new DoD proposal to increase TRICARE retail pharmacy co-payments for all military retirees. The Budget also increases enrollment fees and deductibles for military retirees under age 65 (and families). There are no changes for active-duty members.   The program savings are $735 million in 2007 and $11 billion over five years.

- The new cost shares differ for officer and enlisted retirees and for those in the different types of plans. They are also phased in over two years and indexed thereafter.

- In all cases, the changes in the out-of-pocket expenses would increase by no more than that of the annual Federal civilian health premium since 1996.

- TRICARE cost shares and fees have not been adjusted for 11 years, while most public and private health care programs have experienced significant increases. The Federal civilian health care cost shares have more than doubled during this period.

- Rising health costs and benefit expansions have created considerable financial stress for DOD. Without change, health care costs will be approximately 11 percent of DOD's budget by 2015, competing with resources needed to properly train and equip our troops.

- Similar proposals are in the Budget for higher-income non-disabled veterans treated at the Department of Veterans Affairs.

Department of Health and Human Services: Discretionary Proposal
Centers for Medicare and Medicaid Services Program Management
Survey and Certification User Fee

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority………	---	-35	-35

Background

The Centers for Medicare and Medicaid Services (CMS) administers the Medicare Survey and Certification program. CMS requires all facilities seeking participation in Medicare and Medicaid to undergo an inspection when they initially enter the program and on a regular basis thereafter. Facilities inspected include nursing homes, home health agencies, hospitals, and other long-term care facilities. To conduct these inspection surveys, CMS contracts with State survey agencies in each of the 50 States, the District of Columbia, Puerto Rico, and two territories. Utilizing approximately 6,500 surveyors nationwide, State survey agencies inspect providers and determine their compliance with specific Federal health, safety, and quality standards. Surveyors conduct follow-up surveys to verify that facilities have taken appropriate action to correct identified deficiencies. A March 2003 report by the Office of the Inspector General and a September 2000 report by the Government Accountability Office highlighted the need for Federal oversight of these facilities to ensure high quality of care for Medicare beneficiaries.

Administration Proposal

The 2007 Budget proposes a new user fee in the Survey and Certification program for performing follow-up surveys. These surveys confirm that facilities have remedied identified deficiencies in earlier surveys. The $35 million collection associated with the user fee would offset the gross appropriation for Survey and Certification activities of $283.5 million in 2007 on a dollar-for-dollar basis. Enactment of the proposed user fee would result in a FY 2007 program level increase of $25.4 million over FY 2006.

The proposed user fee would encourage facilities to comply with Medicare safety and health standards. The majority of facilities who undergo inspections would not be subject to the proposed fee. It would be a cost of business for providers who are not compliant with Medicare standards; facilities would be able to avoid this fee if they comply with such standards. CMS estimates that the national user fee average would be about $972 per visit. This represents a relatively nominal amount compared to the annual Medicare revenues these providers generally receive.

Department of Homeland Security: Discretionary Proposal
Transportation Security Administration
Recover Aviation Security Screening Costs Through User Fees

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority	-2,260	-3,986	-1,726

Background

Aviation security fees were first implemented after the September 11th attacks with the establishment of the Transportation Security Administration (TSA) and the Federal takeover of responsibility for airport screening. TSA sets the fee levels up to the maximum stipulated by law. Currently, the passenger security fee maximum can be set no higher than $5.00 per one-way trip.

Administration Proposal

The 2007 Budget proposes to modify the passenger security fee, establishing a $5.00 flat passenger security fee. Implementing a flat fee will tie this fee to the security service provided and help address criticism that rural passengers are charged twice because they fly two or more legs. This proposal would increase passenger security fee collections by $1.3 billion from 2006 estimates for a total of $3.3 billion. The Budget also proposes to collect $644 million from the air carriers, which includes retroactive collection of $196 million in payments due to the Federal Government in 2005 and 2006; this fee level was recently validated by the General Accountability Office. The total revenue generated from this proposal covers about 70 percent of core aviation security costs.

Aligning costs with fees will: free up homeland resources to be spent on homeland security requirements that are more dispersed across the general population; encourage system managers to pay more attention to system efficiency by operating within established fee levels; help airports and the Government guide security screening investment decisions; reduce support by general taxpayers of screening; and recover about 70 percent of the program from aviation users and improve the overall management of aviation screening.

Department of Housing and Urban Development: Discretionary Proposal
The Federal Housing Administration's Mutual Mortgage Insurance Loan Guarantee Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Discretionary Receipts........	-839	-845	-6

Background

The Federal Housing Administration's (FHA) Mutual Mortgage Insurance (MMI) program assists homebuyers underserved by the conventional mortgage market to obtain mortgage credit at a reasonable cost. While private loans guaranteed by FHA have been a primary mortgage source for first-time and minority buyers since the 1930s, FHA's guaranteed loan volume has fallen precipitously in the past three years with the drop in mortgage rates and the growth of private alternatives. Moreover, the risk profile of FHA's portfolio has deteriorated. Finally, FHA's current nearly flat premium structure – charging uniform premiums regardless of the borrower's risk of default – means that loans to creditworthy borrowers subsidize loans to less creditworthy borrowers.

Administration Proposal

The Administration is proposing to reaffirm FHA's mission to help low- and moderate-income families, and, in particular, minority families, to become homeowners, and to help achieve the President's goal of creating 5.5 million new minority homeowners by 2010.

The Administration is proposing new legislation that will remove impediments to FHA's ability to serve its traditional mission. FHA will implement risk-based pricing by charging borrowers premiums that reflect the risk that they pose to the FHA mortgage insurance fund.

To remove two large barriers to homeownership – lack of savings for a down payment and impaired credit – the Administration proposes two new FHA mortgage products. The Zero Down payment mortgage will allow first-time buyers with a strong credit record to finance 100 percent of the home purchase price and closing costs. The Payment Incentives mortgage will initially charge borrowers with limited or weak credit histories a higher insurance premium, and will reduce premiums after a period of on-time payments.

Department of Housing and Urban Development: Discretionary Proposal Federal Housing Administration General and Special Risk Insurance

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…........	---	-115	-115

Background

The Federal Housing Administration (FHA) provides mortgage insurance through guarantee of private loans to support the development of multi-family properties and health care facilities. This "credit enhancement" makes possible some forms of financing that would be difficult to secure in the private, conventional market. FHA's multi-family mortgage insurance program was assessed this year by the PART as not demonstrating results. The assessment suggests that the program needs to better identify its contribution to expanding the supply of affordable housing and providing public benefits.

Administration Proposal

To address cases where subsidies are provided for construction of projects that are not targeted to low- and moderate-income persons, and therefore not achieving the program's public purpose, the Administration will implement a higher guarantee premium to offset taxpayer costs (including administrative expenses) for loans to those projects. Loans that are targeted would not pay the higher premium.

Department of Housing and Urban Development: Discretionary Proposal
Ginnie Mae User Fees

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…........	---	-54	-54

Background

The Government National Mortgage Association (Ginnie Mae) guarantees timely payment of principal and interest to investors in Ginnie Mae securities that are backed by pools of Federal Housing Administration, Veterans Administration, and other Government-guaranteed mortgages. Issuers of Ginnie Mae mortgage-backed securities receive better pricing from investors because of the Federal guarantee provided by Ginnie Mae. Ginnie Mae also provides advances to issuers if an issuer is unable to meet its obligations to investors in Ginnie Mae mortgage-backed securities. Ginnie Mae's administrative expenses have increased by 42 percent in five years, from $48 million in 2002 to an expected $68 million for 2006, while its business has declined by one-third over this same period. Most of Ginnie Mae's administrative expenses are funded from mandatory spending sources and are not controlled through the annual appropriations process or included in discretionary spending totals.

Administration Proposal

The 2007 Budget proposes to charge issuers of new Ginnie Mae mortgage-backed securities an upfront fee to offset the administrative expenses of the program. For 2007, the upfront fee assessed on new guarantees of mortgage-backed securities would be slightly over 6 basis points (6 cents for every $100 of mortgages). The upfront fee level would vary in future years with changes in the estimated administrative expenses and estimated volume of new guarantees of mortgage-backed securities. In addition, the Budget proposes to move all of Ginnie Mae's administrative costs under the purview of the annual appropriations process.

Department of Justice: Discretionary Proposal
ATFE Explosives Regulation Fee

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority….........	---	-120	-120

Background

In response to widespread concerns over potential terrorist and criminal use of commercial explosives, the Congress enacted the Safe Explosives Act of 2002, which requires the Department of Justice's Bureau of Alcohol, Tobacco, Firearms and Explosives (ATFE) to issue licenses for explosives handlers, conduct background checks and conduct inspections of licensees' explosives storage facilities. In addition, ATFE conducts voluntary inspections of State and local storage facilities over which it has no statutory jurisdiction. Implementing this explosives regulation fee for commercial, non-military explosives (except smokeless and black powder) manufactured in or imported into the United States would help fund these activities.

Regulating explosives has become an increasing share of ATFE's budget, and this fee would help ensure that regulatory activities do not adversely impact the Bureau's enforcement mission. A user fee of $0.02/pound would generate $120 million in additional collections, which would be used to offset the cost of regulating the explosives industry.

Administration Proposal

The 2007 Budget proposes a discretionary explosives regulation fee of $0.02/pound to offset the cost of regulating the explosives industry. The fee would generate $120 million in additional collections to offset the Bureau's regulatory costs and help ensure that those costs do not adversely affect the Bureau's enforcement mission.

Department of Labor: Mandatory/Discretionary
Application Fee for the Permanent Foreign Labor Certification Program

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority….........	---	-23	-23

* The proposed fee would generate revenues to finance Permanent Foreign Labor Certification activities. The fee receipts and associated spending would be mandatory and result in no net budgetary effect. If enacted, discretionary budget authority would be reduced by $23 million in 2007.

Background

The Permanent Foreign Labor Certification program is the first step in the process U.S. employers must follow before they may permanently hire foreign workers. As required by the Immigration and Nationality Act, employers who are seeking to permanently hire foreign workers must apply to the Department of Labor (DOL) for a certification of two things, that: (1) qualified U.S. workers are not available for the job being offered to the foreign worker; and (2) such hiring would not adversely affect the wages and working conditions of similarly employed U.S. workers. Once an employer obtains the DOL certification, it may sponsor the worker in an immigration petition with the Department of Homeland Security, and the worker can file a visa request with the Department of State.

Administration Proposal

The 2007 Budget proposes legislation to authorize a cost-based application fee for services DOL provides employers under a reformed Permanent Foreign Labor Certification program. DOL has implemented a new Permanent Electronic Review Management (PERM) system that will drastically reduce application processing time from years to months, and minimize future backlogs.

The mandatory fee would be based on the costs of administering a program with prompt processing of applications and strong program integrity checks to prevent fraud. It would be paid by employers filing new applications.

Processing of employer applications for the PERM program is currently funded through annual discretionary appropriations. Upon enactment of the fee, funding for these activities in the 2007 Budget will be reduced by $23 million. The fee funding will ensure that application backlogs will not reoccur, and the program will provide high quality services to employers and workers.

Department of Veterans Affairs: Discretionary Proposal
Medical Care User Fees

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority….....	---	-795	-795

Background

The resources of the Veterans Affairs medical care program are focused on its core mission – to serve current combat veterans and veterans who have service disabilities, lower incomes, or special needs. Prior to a 1999 decision to enroll higher-income veterans without military disabilities (PL 7/8) for VA medical care, these veterans were only treated on a case-by-case basis, as space was available, and totaled only two percent of patients. However, the rapid growth in the number of these new lower-priority veterans threatened VA's ability to deliver quality and timely care to service-disabled and lower-income veterans. As a result, in 2003 enrollment of lower-priority veterans was stopped, a move supported by the Congress in all appropriations bills since. Those lower-priority veterans who were already enrolled in the system before 2003 retained their eligibility and today comprise 27 percent of all enrollees.

Administration Proposal

This 2007 Budget includes legislation to implement a $250 annual enrollment fee and higher drug co-pays (from $8 to $15) for non-disabled higher-income veterans. It also includes language to correct an inequity in current co-pays to ensure that they are charged to all eligible veterans equally and not reduced if a veteran has outside insurance. These proposals will save $795 million in 2007 and $4 billion over five years. They parallel proposals included in the Budget for the Department of Defense's TRICARE system and will enable VA to focus its resources on those veterans who need it the most.

- These proposals do not pertain to veterans who are considered among VA's core mission and our highest priority – those with service disabilities, lower incomes, or special needs.
- Charging PL 7/8 veterans – who typically have other health care alternatives – a $250 annual enrollment fee and $15 drug co-pays will ensure that VA continues to refocus resources on its core mission.
- These proposals were in the 2004, 2005, and 2006 Budgets but not adopted.

Corps of Engineers (Civil Works): Discretionary Proposal
Performance Guidelines for Funding Construction Projects

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority*…......	2,558	1,685	-873

*Budget Authority includes the Construction account and the construction portion of the Mississippi River & Tributaries account. The 2007 Proposed funding level reflects $359 million transfer of certain activities from the construction program to the operation and maintenance program.

Background

The Army Corps of Engineers civil construction program builds water resources projects within three main mission areas: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. These projects contribute to the Nation's safety and economic growth.

The 2006 Budget proposed seven performance-based guidelines for allocating funds among construction projects within the Corps main mission areas. The Budget used these guidelines to complete more projects sooner, build the best projects faster, and ensure that taxpayer dollars were spent on projects with the greatest return on the investment based on objective performance criteria.

Administration Proposal

The 2007 Budget again proposes seven performance guidelines to guide the development of the Corps construction budget and establish a clear, performance-based framework for selecting the most worthy construction investments within the Corps main mission areas. This approach mirrors the decision-making of businesses and individuals who seek the greatest return from the investment of their own resources. The Budget supports a major change to the guidelines proposed in the 2006 Budget to ensure funding for flood and storm damage reduction projects that address a significant, ongoing risk to human safety.

Between 2002 and 2006, Congress directed more than $800 million of Corps construction spending to projects that are outside the Corps main mission areas. Under the performance guidelines, the 2007 Budget focuses spending on the best projects within the Corps main mission areas. Setting and adhering to clear spending priorities and objective performance criteria will help ensure that the Corps construction program produces the best value for the American taxpayer.

Small Business Administration: Discretionary Proposal
Disaster Loan Program

Funding Summary
(In millions of dollars)

	2006 Enacted*	2007 Proposed**	Change From 2006
Budget Authority.........	441	85	-356

*Represents supplemental funds.
**The proposal reduces credit subsidy by $45 million in FY 2007. Absent the proposal, $130 million in credit subsidy would be required for FY 2007.

Background

The Disaster Loan program provides direct loans to homeowners, businesses, and renters to cover the uninsured costs of recovering from a disaster. The majority of borrowers are provided large interest rate subsidies and generous (up to 30 year) repayment periods. The interest rate for most homeowners in 2006 is 2.67 percent, reflecting a formula under which borrowers who cannot access credit elsewhere pay an interest rate equal to one-half of the sum of the comparable maturity Treasury rate plus one percentage point. Additionally, there is a rate cap of four percent for most loans.

Administration Proposal

The Administration proposes a reform for loans made in response to disasters occurring after September 30, 2006, which would not affect Hurricane Katrina-related borrowers.

Specifically, beginning in FY 2007, the Administration proposes that borrowers continue to receive highly subsidized interest rates (one-half the sum of the comparable-maturity Treasury rate plus one percentage point) during the first five years, when recovery is most challenging, as under current law. Five years after the disaster loan's origination, when a borrower's financial condition has normalized, the rate would graduate to the comparable-maturity Treasury rate. The four percent interest rate cap would also be eliminated.

Small Business Administration: Discretionary Proposal
Business Loan Programs

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed*	Change From 2006
Budget Authority..........	---	-7	-7

*Appropriation request is $121M for 2007; $7 million of fees will be collected in the Salaries and Expenses account.

Background

The Small Business Administration (SBA) operates three major guaranteed loan programs. These include: the 7(a) general business program, which provides credit to small businesses for working capital and other business needs; the 504 Certified Development Company program, which provides long-term, fixed-rate credit for fixed assets; and the Small Business Investment Company Debenture program which provides loans and equity investments for small companies. The proposed loan level for these programs for 2007 is $28 billion and requires no credit subsidy. In order to process guaranteed loan applications and monitor outstanding loans, SBA spends more that $120 million annually.

Administration Proposal

The Administration proposes to recover SBA's administrative cost of processing guarantee applications on its largest loans. The new fees would be limited to being charged on loans greater than $1 million. These are borrowers that are most likely able to afford the small cost increase. The proposal will generate about $7 million in reimbursements to SBA. These new fees would make the large loans self-financing.

Commodity Futures Trading Commission: Discretionary Proposal
Transaction Fee

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Fee Proposal…………………....	---	-127	-127

Background

The Commodity Futures Trading Commission (CFTC) ensures the integrity and effectiveness of the U.S. futures and options markets through administration of the Commodity Exchange Act of 1936 (CEA), as amended. CFTC protects investors by preventing fraud and abuse and ensuring adequate disclosure of information. CFTC's oversight enables the markets to better serve their designated functions of providing a price discovery mechanism, and CFTC constantly works to develop better tools to assist in detecting and preventing price distortions. CFTC also is responsible for detecting, investigating, and litigating violations of the CEA and CFTC regulations, and monitors compliance activities of designated contract markets, registered commodities professionals, and self-regulatory organizations.

Administration Proposal

The 2007 Budget proposes to fund CFTC's activities through a new transaction fee rather than from direct appropriations. CFTC is the only financial regulator not funded through fees; this proposal will shift the regulator's cost from the general taxpayer to the primary beneficiaries of CFTC's oversight. The Budget proposes a $127 million program level for CFTC. This level of funding will ensure proper oversight of the markets by providing adequate staffing levels, which generally have been held constant for years in the face of substantial market growth – trading volume has quadrupled over the past 12 years. The new fee will be set at a level to avoid inhibiting the market's competitiveness.

St. Lawrence Seaway Development Corporation: Discretionary Proposal Operations and Maintenance

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Proposed	Change From 2006
Budget Authority…...........	---	-9	-9

Background

The Saint Lawrence Seaway Development Corporation (SLSDC) was established in 1954. SLSDC is a wholly owned government corporation and, since 1959, an operating administration of the Department of Transportation with responsibility for the day-to-day operations of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. Major programs include managing vessel traffic control in portions of the St. Lawrence Seaway and Lake Ontario and operating, maintaining, and securing the two U.S. Seaway locks located in Messina, New York.

SLSDC used commercial tolls as a self-funding mechanism from its inaugural season in 1959 until April 1987. From April 1987 until the present, SLSDC has been funded primarily by an appropriation from the Harbor Maintenance Trust Fund. SLSDC coordinates its operational activities with its Canadian counterpart, the St. Lawrence Seaway Management Corporation, which currently supports its operations through the collection of user fees.

Administration Proposal

The 2007 Budget includes a discretionary proposal to allow SLSDC to collect commercial tolls. The Administration supports efforts to improve service delivery and believes that this proposal would enable SLSDC to function more like a private corporation. The proposal also provides up to $8 million in appropriated funds from the Harbor Maintenance Trust Fund in 2007 for SLSDC to fund operations until the implementation of commercial toll collection when the Seaway reopens for the 2007 operating season, and the establishment of a sufficient fund balance from these tolls to fund current obligations. In future years, the Seaway could be fully fee-funded, consistent with its Canadian counterpart.

TRANSFORMATION AND RESTRUCTURING, DEPARTMENT OF DEFENSE

Department of Defense Transformation and Restructuring

(In millons of dollars)

	2007	2008	2009	2010	2011	2007-2011
Savings from Transformational Initiatives						
Joint Unmanned Combat Air System	-158	-241	-408	-461	-640	-1,908
T-AOE(X) Fast Combat Support Ship	-11	-156	-1,134	-1,051	-2,079	-4,431
U-2 Retirement	-106	-185	-168	-265	-287	-1,011
Total Transformation Savings	**-275**	**-582**	**-1,710**	**-1,777**	**-3,006**	**-7,350**
Savings from Restructuring						
Accelerate Retirement of F-117A Nighthawk	--	-45	-351	-329	-345	-1,070
Aerial Common Sensor	-313	-305	-450	-450	-359	-1,877
Air Force Organizational Restructure and Process Efficiencies	-1,807	-3,018	-3,571	-4,368	-5,006	-17,770
B-52 Stand-off Jamming System	-223	-271	-260	-250	-180	-1,184
C-21 Retirement	-33	-40	-41	-41	-42	-197
Joint Direct Attack Munition	-55	-107	-163	-33	3	-355
Joint Strike Fighter Alternative Engine	-408	-438	-373	-365	-204	-1,788
KC-135 Replacement (KC-X)	-111	-150	-165	-220	-250	-896
Navy Military Manpower Reductions	-435	-1,035	-1,232	-1,292	-1,317	-5,311
Restructuring Army Combat Brigades	-2,039	-2,751	-1,030	-1,784	-3,519	-11,123
Transformational Satellite Communications (TSAT)	-201	-406	-405	-322	-323	-1,657
Total Restructuring Savings	**-5,625**	**-8,566**	**-8,041**	**-9,454**	**-11,542**	**-43,228**
Total Savings	**-5,900**	**-9,148**	**-9,751**	**-11,231**	**-14,548**	**-50,578**

Department of Defense
Transformation and Restructuring
Joint Unmanned Combat Air System

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	272	397	239	-158	-1,908

*As reflected in the 2006 President's Budget.

The Joint Unmanned Combat Air System (J-UCAS) is a program to develop unmanned aircraft that will be capable of performing various combat missions. This proposal would terminate the J-UCAS program and reallocate resources and J-UCAS technology to emphasize those systems most desired by the Combatant Commanders. Specifically, funding will be reallocated to emphasize the unmanned carrier-compatible reconnaissance aircraft for the Navy and a new long-range Air Force strike platform, which will increase the future effectiveness of both Services.

The Department of Defense maintains commitment to the development and procurement of unmanned air systems. Procurement of existing unmanned aerial systems is planned to increase over the next several years. The savings from terminating the J-UCAS program will allow the Department of Defense to reallocate funding to other high-priority efforts and, in the long term, will result in the fielding of improved military capabilities better able to meet future threats. Five year savings total over $1.9 billion.

Department of Defense
Transformation and Restructuring
T-AOE(X) Fast Combat Support Ship

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority…....	23	11	---	-11	-4,431

*As reflected in the 2006 President's Budget.

The future T-AOE(X) is the Navy's fast combat support ship for underway replenishment of carrier and expeditionary strike groups. The high-speed T-AOE(X) ship is intended to replace the existing T-AOE class ship and would simultaneously deliver petroleum products, ammunition, and provisions to ships underway. The Navy planned to begin procurement of the first T-AOE(X) in 2009. The Department has decided that, by keeping the existing T-AOE class of ships in service longer and operating them in conjunction with the new T-AKE dry cargo/ammunition ships, the Navy will not require another class of fast combat support ship for the foreseeable future.

The termination of the T-AOE(X) program will not affect the nation's military readiness. The Department has determined its maritime logistics support is sufficient without acquiring the T-AOE(X) class of ships at this time. In addition, the Navy is currently reviewing the composition and size of its fleet and is significantly shifting its investments into capabilities supporting a larger presence in littoral (near-shore) waters, while moving away from expanding open ocean (Blue Water) capabilities where the T-AOE(X) would be most effective. Five year savings total over $4.4 billion.

Department of Defense
Transformation and Restructuring
U-2 Retirement

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	407	431	325	-106	-1,011

*As reflected in the 2006 President's Budget.

The U-2 is a manned, high-altitude, all-weather surveillance and reconnaissance aircraft that can operate day or night in direct support of U.S. and allied forces. The Air Force is in the process of transforming its high-altitude, long-endurance surveillance and reconnaissance capabilities by acquiring the unmanned Global Hawk system and retiring the existing U-2 system. Plans call for the Air Force to complete retirement of the U-2 by 2011.

The Department of Defense plans to meet Combatant Commander requirements by phasing in Global Hawk as the U-2 is phased out. Additionally the Department of Defense will conduct a review of the phasing plan to ensure that high-altitude, long-endurance surveillance and reconnaissance requirements will be satisfied during the transition. The review will be completed by May 1, 2006. Five year savings total over $1.0 billion.

Department of Defense
Transformation and Restructuring
Accelerate Retirement of F-117A Nighthawk

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority…....	359	354	354	---	-1,070

*As reflected in the 2006 President's Budget.

The F-117 was designed in the 1970s and is the Air Force's first generation stealth aircraft. It is able to attack heavily defended targets with a high degree of survivability. Although the structural integrity of the aircraft is sound, critical electronic subsystems are obsolescent, difficult to support, and costly. Rather than spend significant funds to replace these systems, the Air Force will retire the fleet of 52 aircraft by 2008. The Air Force has long planned to retire the F-117 when sufficient new generation stealth strike aircraft became available.

Retiring the F-117 fleet will have little impact on the Air Force's global strike capabilities. The F-117 fleet is only four percent of the Air Force's total precision strike force, and the increasing costs of operating the F-117 have made it less cost-effective as a weapon system. Other Air Force aircraft such as the B-2, the F-15, and the F-16 with standoff weapons, plus increasing numbers of stealthy F-22As, will provide sufficient strike capability until the Joint Strike Fighter joins the operational fleet. Five year savings total over $1.0 billion.

Department of Defense
Transformation and Restructuring
Aerial Common Sensor

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	103	363	50	-313	-1,877

*As reflected in the 2006 President's Budget.

The Aerial Common Sensor (ACS) is a next-generation battlefield surveillance system that merges multiple intelligence collection capabilities. The ACS will replace three existing systems: the Army's Guardrail Common Sensor, the Army's Airborne Reconnaissance Low, and the Navy's EP-3 surveillance aircraft program. In January 2006, the Army terminated the ACS contract due to weight and cost issues with the contractor's proposed aircraft design; the Army intends to restructure the program for a follow-on effort. This restructuring will save $1,877 million through 2011 as the Army negotiates a more cost-effective contract that meets joint service requirements.

The 2007 Budget seeks ultimately to provide the Department of Defense with a more cost-effective next-generation battlefield surveillance system that not only meets the Department's requirements but also provides a significant upgrade to current platforms. Although this termination and restructuring delays the delivery of the critical ACS capability, the risks posed by this delay are considered acceptable because each service will maintain its current fleet of airborne intelligence collection platforms. Some of the savings from this termination and restructuring will be used to upgrade current platforms to allow them to continue to perform their missions until the ACS is procured. Five year savings total nearly $1.9 billion.

Department of Defense
Transformation and Restructuring
Air Force Organizational Restructure and Process Efficiencies

Funding Summary
(In millions of dollars)

	2006 Enacted*	2007 Old Plan*	2007 Proposed*	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority…....	---	---	---	-1,807	-17,770

*Budget Authority for this savings proposal spans a wide variety of accounts and programs.

In 2007, the Air Force proposes to realign resources so that it can transform to a smaller, more lethal, more agile, streamlined force with an increased emphasis on supporting the warfighter. The Air Force restructuring plans focus on three areas: organizational efficiencies, process efficiencies, and personnel reductions tied to legacy force structure changes.

The Air Force will focus on flattening organizational structures and eliminating functional overlaps. The Air Force will also streamline and centralize information technology, and at the same time reduce the number of contractors required to support the Air Force. The majority of the proposed savings will be generated through process efficiencies and associated active military manpower reductions of about 18,000 personnel in 2007.

Process efficiencies will be focused on performing key tasks as efficiently as possible. For example, the Air Force is reviewing how to reduce the personnel and equipment associated with aircraft maintenance at bases to the minimum needed to meet daily training missions, while at the same time maintaining an appropriate deployment capability. This realignment effort will enhance security readiness. Five year savings total over $17.7 billion.

Department of Defense
Transformation and Restructuring
B-52 Stand-off Jamming System

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	119	236	13	-223	-1,184

*As reflected in the 2006 President's Budget.

The B-52 Stand-off Jamming (SOJ) System was originally planned to be a major component of the Air Force's future airborne electronic attack system. The goal of this program was to provide long-range jamming of sophisticated enemy air defense radars and communications networks, using high-powered jamming equipment possible on a large bomber-class aircraft. However, the SOJ program has experienced technical difficulties and has been unable to meet its cost goals. For these reasons, this proposal would cancel the SOJ program.

In the near-term, cancellation of the SOJ will have no impact on the ability of the Air Force to protect pilots in lethal engagement areas since the current fleet of electronic attack aircraft provides sufficient capability. In the future, the Air Force will continue to develop its airborne electronic attack capabilities and will complete the system engineering necessary for the remaining elements of the electronic attack system, which include, command and control systems, and other activities. The Air Force will also continue to participate in a Department of Defense-led study that will address how best to meet the Department of Defense's overall needs for airborne electronic attack through 2024. Five year savings total nearly $1.2 billion.

Department of Defense
Transformation and Restructuring
C-21 Retirement

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	54	66	33	-33	-197

*As reflected in the 2006 President's Budget.

C-21 aircraft are part of the Air Force's Operational Support Airlift (OSA) fleet, which provides high priority, short-notice air transportation for Distinguished Visitors and Combatant Commanders. In addition, C-21s are used to maintain the skills of pilots as they transit to different types of mobility aircraft. Delivery of the C-21 fleet began in 1984. This proposal will retire half of the Air Force C-21 fleet, or 38 aircraft.

This proposal holds no adverse impact on the ability of the Department to conduct peacetime and wartime OSA operations. The Air Force will reprioritize short-notice air transportation missions and will utilize other aircraft for training to mitigate the reduction in available C-21s. The remaining C-21 aircraft will be able to meet the Combatant Commander's warfighting and transportation requirements. Savings from retiring half the C-21 fleet will be used for higher priority programs. Five year savings total nearly $200 million.

Department of Defense
Transformation and Restructuring
Joint Direct Attack Munition

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	306	314	259	-55	-355

*As reflected in the 2006 President's Budget.

The Joint Direct Attack Munition (JDAM) is a joint Air Force/Navy program that upgrades the current inventory of general purpose bombs with a guidance kit consisting of a precision, satellite-aided navigation system. The JDAM kits provide accurate, adverse weather capability and can be delivered by multiple types of Air Force and Navy aircraft. The Department of Defense's inventory of JDAM meets current Air Force and Navy requirements and will continue to meet future requirements even with a reduced purchase quantity through 2011.

The 2007 Budget proposes to reduce the JDAM annual production numbers by approximately 25 percent in 2007, and by approximately 50 percent in 2008 and 2009.

This proposal will allow the Air Force and Navy to fulfill all current and future JDAM requirements while preventing an unnecessary future surplus in the JDAM inventory. Savings from the reduced JDAM purchase will be used to fund other Department of Defense programs that provide additional and more diverse strike capabilities than simply buying additional JDAMs. Five year savings total over $300 million.

Department of Defense
Transformation and Restructuring
Joint Strike Fighter Alternative Engine

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	333	417	9	-408	-1,788

*As reflected in the 2006 President's Budget.

The Joint Strike Fighter (JSF) is a program to develop a family of strike fighter aircraft to meet the future military requirements of the Air Force, Navy, and Marine Corps, as well as those of several allies. It is the largest Department of Defense acquisition program. The JSF Alternative Engine Program (AEP) is a subsidiary program to produce an alternative to the primary JSF engine that is supplied by Pratt and Whitney. The alternative program is led by General Electric with participation by Rolls Royce and was established as an insurance against the failure of the main JSF engine program.

The Department of Defense will cancel the AEP because the Pratt and Whitney engine development program is now progressing well, making a second engine program unnecessary. Moreover, there is no strong long-term cost rationale for the AEP, since the prospective savings from competition, if they exist, are likely to be small. Canceling the program will result in savings of nearly $1.8 billion over the next five years, which will be redirected towards higher priority transformational programs.

Department of Defense
Transformation and Restructuring
KC-135 Replacement (KC-X)

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority…....	99	350	239	-111	-896

*As reflected in the 2006 President's Budget.

The KC-X program is intended as a replacement for the existing fleet of KC-135 tanker aircraft. Over the past year the Department of Defense has conducted reviews of: a) the need to replace existing tankers; b) the types of aircraft that would be most suitable for use as a tanker aircraft; and c) the acquisition strategy for new tankers that would deliver the best value. These studies were only completed at the end of 2005, and the details of how and when the Department of Defense will proceed with a tanker replacement program are yet to be determined. However, the studies did indicate that there is less urgency to acquiring a replacement aircraft than had previously been assumed. This proposal will restructure and delay the planned program schedule for the KC-X to reflect the results of the above studies.

The delay in the start of the tanker replacement program will have no impact on current operations since the existing tanker fleet is performing well. This proposal will also have little overall effect on the replacement effort since the program restructuring includes an increase in research and development efforts. This proposal will help to ensure that the type of aircraft that is finally selected will be smoothly and rapidly integrated into tanker operations. Five year savings total nearly $900 million.

Department of Defense
Transformation and Restructuring
Navy Military Manpower Reductions

Funding Summary
(In millions of dollars)

	2006 Enacted*	2007 Old Plan*	2007 Proposed*	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	---	---	---	-435	-5,311

*Budget Authority for this savings proposal spans a wide variety of accounts and programs.

The Navy is committed to properly sizing its active and reserve military end strength. It is in the process of reducing the total force size by over 13,600 end strength in 2006, and it will make a similar reduction of 13,800 in 2007. After 2007, the Navy will be very close to achieving a properly sized force of 337,000 active and 70,000 reserve end strength.

Strength Profile	2005	2006	2007	2008	2009	2010	2011
Active	362,941	352,700	340,700	336,900	336,800	337,000	337,000
Reserve	76,473	73,100	71,300	70,500	70,000	70,000	70,000
Total Navy	439,414	425,800	412,000	407,400	406,800	407,000	407,000

The Navy will achieve such reductions through many initiatives, including decommissioning older, manpower-intensive platforms; improving its training and employment processes; increasing its reliance on technology to reduce shipboard manning and shorten training pipelines; and converting military positions to lower-cost civilians or contractors.

The end strength reductions will not impact the Navy's ability to fight the Global War on Terror. The reductions are intended to help the Navy achieve the right sized force so it can operate more effectively and efficiently. Five year savings total over $5.3 billion.

Department of Defense
Transformation and Restructuring
Restructuring Army Combat Brigades

Funding Summary
(In millions of dollars)

	2006 Enacted*	2007 Old Plan*	2007 Proposed*	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	---	---	---	-2,039	-11,123

*Budget Authority for this savings proposal spans a wide variety of accounts and programs.

The 2007 Budget proposes to increase the Army's Active Component modular brigade combat teams (BCTs) to 42, one less than planned with the extra personnel reassigned to increase special operations forces. The Army will complete all modular conversions on time while saving $11.1 billion through 2011.

This initiative balances capabilities and increases readiness in the Army. Changes in force structure are based on the following principle: all units – active, guard, and reserve – will be fully manned, trained, and equipped. The result is a more ready force across all components backed up by a robust and comprehensive modernization effort.

The 2007 Budget funds the National Guard and Army Reserve to maintain their current strength. National Guard brigades will be fully compatible with the active Army in equipment, organization, and training, which will increase their deployability, lethality, and effectiveness. Increasing the number of modular combat brigades across the Army reduces the stress from high operational tempo on soldiers and their families. Creating more special operations units provides capabilities that the Global War on Terror demands. Finally, balancing combat, combat support, and combat service support units produces a more effective force that can defeat a variety of threats over a sustained period of time. Five year savings total over $11.1 billion.

Department of Defense
Transformation and Restructuring
Transformational Satellite Communications

Funding Summary
(In millions of dollars)

	2006 Enacted	2007 Old Plan*	2007 Proposed	Change From 2007 Old Plan	2007 to 2011 Savings
Budget Authority….....	437	1,068	867	-201	-1,657

*As reflected in the 2006 President's Budget.

The Department of Defense (DOD) and the Air Force are planning to develop the next generation of military satellite communications. The Transformational Satellite Communications (TSAT) program is intended to provide high data-rate, internet-like communications for three distinct mission areas: Communications-on-the-Move to mobile units; data relay capability for airborne intelligence, surveillance, and reconnaissance and space assets; and assured communications in case of nuclear attack or jamming. The 2007 Budget proposes to reduce development and procurement funding for the TSAT program by a total of $1.7 billion over the next five years. The program will be restructured so as to reduce the emphasis on new technology and apply an incremental approach to near-term satellite development and system testing.

The reduced funding for TSAT will result in delays to the first launch by 18 months. However, DOD is currently completing development of two new satellite communications programs that will precede the deployment of TSAT and will provide a much wider breadth of capability than existing operational systems. The two programs are the Wideband Gap-Filler Satellites and Advanced Extremely High Frequency satellites, and they are targeted to be on orbit in 2007 and 2008, respectively.

In addition to a slower schedule, the incremental approach being proposed by DOD and the Air Force will reduce the complexity of the first two TSAT satellites without compromising an increase in functionality. For instance, the proposal will reduce the payload weight by 30 percent, reduce the complexity of the on-board processor and remove two of the four laser-communication terminals. These changes to the initial satellite design will enable a reduction in the long-term funding requirements for TSAT and will reduce the potential for schedule delays that are being currently experienced by many other complex satellite programs. Five year savings total over $1.6 billion.

SAVINGS FROM MANDATORY SPENDING REFORMS AND USER FEES

PROGRAM REFORMS

Mandatory Program Reforms

(Outlays in billions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Reforms Resulting in Savings:**							
Agriculture:							
Commodity Program Changes							
Reduce Payments Five Percent	-0.8	-0.6	-0.5	-0.5	-0.4	-2.8	-4.9
Sugar Assessment	*	*	*	*	*	-0.2	-0.4
Dairy Price Support Change	*	*	*	-0.1	-0.1	-0.3	-0.6
Tighten Payment Limits	-0.2	-0.2	-0.2	-0.2	-0.1	-0.8	-1.2
Dairy Assessment	-0.1	-0.1	-0.1	-0.1	-0.1	-0.3	-0.6
Crop Insurance Modification	---	-0.1	-0.1	-0.1	-0.1	-0.6	-1.3
Restrict Food Stamp Categorical Eligibility	-0.1	-0.2	-0.2	-0.2	-0.2	-0.7	-1.6
Allow State Food Stamp Agencies to Use New Hires Directory	---	*	*	*	*	*	*
Defense:							
Increase National Defense Stockpile Sales	*	*	-0.1	-0.1	-0.1	-0.3	-0.3
Energy:							
Repeal Oil and Gas Research and Development Program	*	*	*	*	*	-0.2	-0.5
Health and Human Services:							
Medicare							
Part B Premium Subsidies	*	-0.2	-0.4	-0.6	-0.8	-1.9	-10.1
Fiscal Control	---	---	---	---	---	---	---
Competition	---	-0.1	-0.3	-0.5	-0.6	-1.4	-5.2
Program Integrity	-0.3	-0.9	-1.5	-2.2	-2.8	-7.7	-26.3
Productivity and Efficiency	-1.9	-4.4	-6.1	-6.7	-7.1	-26.2	-68.8
Payments for Post-Acute Care Services	-0.4	-0.5	-0.5	-0.5	-0.6	-2.4	-5.8
Premium Interaction	*0.1*	*0.6*	*0.9*	*1.0*	*1.1*	*3.8*	*11.2*
Medicaid/State Children's Health Insurance Program							
Appropriate Payment for Targeted Case Management Services	-0.2	-0.2	-0.2	-0.3	-0.3	-1.2	-3.1
Restructuring Pharmacy Reimbursement	-0.1	-0.2	-0.3	-0.3	-0.3	-1.3	-3.4
Medicaid Prescription Drug Managed Formularies	*	*	*	*	*	-0.2	-0.5
Medicaid Third Party Liability	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-1.2
Medicaid Cost Allocation	-0.3	-0.3	-0.4	-0.4	-0.4	-1.8	-3.7
Child Support Enforcement	*	*	*	*	*	*	-0.1
Child Welfare Program Option	*	*	0.1	*	-0.1	*	*

	2007	2008	2009	2010	2011	2007-11	2007-16
Reforms Resulting in Savings:*							
Interior:							
Arctic National Wildlife Refuge Lease Bonuses................................	---	-3.5	*	-0.5	*	-4.0	-4.0
Reform Bureau of Land Management Land Sales..............................	*	*	*	*	-0.1	-0.2	-0.4
Eliminate Bureau of Land Management Range Improvement Fund....	*	*	*	*	*	*	-0.1
Recover Pick-Sloan Project Costs..	*	*	*	*	*	-0.1	-0.2
Repeal Energy Bill Fee Prohibition..	*	*	*	*	*	-0.1	-0.2
Labor:							
Reform Pension Benefit Guaranty Corporation.................................	---	-4.2	-4.2	-4.2	-4.1	-16.7	-37.1
Unemployment Insurance Integrity..	---	-0.5	-0.5	-0.4	-0.4	-1.7	-3.8
Reform Federal Employee's Compensation Act	*	*	*	*	*	*	-0.1
Treasury:							
Eliminate 10-year Statute-of-Limitations on Non-Tax Debt...............	*	*	*	*	*	*	-0.1
Federal Communications Commission:							
Extend Spectrum Auction Authority..	---	---	---	---	---	---	-1.0
Terminate the Telecommunications Development Fund.....................	*	*	*	*	*	*	-0.1
Office of Personnel Management:							
Amend Federal Employee Health Benefits Program Statute...............	*	-0.1	-0.2	-0.3	-0.4	-1.1	-3.4
Total, Mandatory Reforms Resulting in Savings.......................	-4.4	-16.1	-15.2	-17.2	-18.2	-71.1	-178.7

* Savings $50 million or less.

** Assumes enactment of S. 1932. In addition to the savings proposals shown here, the Department of Agriculture chapter of the 2007 Budget describes a significant Forest County Safety Net Payments proposal that is cost-neutral, and the Department of Labor chapter describes a significant proposal to restructure and eventually retire the Black Lung Disability Trust Fund debt.

Department of Agriculture: Mandatory Proposal
Commodity Credit Corporation & Risk Management Agency

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays	19,336	16,945	15,328	14,266	13,776	79,652	147,422
Proposed changes from current law:							
Reduce payments five percent	-761	-627	-531	-466	-435	-2,821	-4,913
Sugar assessment	-34	-34	-37	-37	-37	-178	-364
Dairy price support change	-32	-32	-6	-115	-117	-301	-618
Tighten payment limits	-200	-190	-175	-150	-130	-845	-1,200
Dairy assessment	-55	-56	-57	-57	-58	-282	-578
Crop insurance modification	---	-140	-140	-140	-140	-560	-1,260
Total changes	-1,081	-1,079	-945	-965	-917	-4,988	-8,933

Background

Farm commodity programs were first introduced in 1933, during the Great Depression. Currently, every five to seven years the Congress passes a Farm Bill that lays out how agricultural support is to be provided. Agricultural support was reduced twice in the 1990's by omnibus budget reconciliation acts. However, the 2002 Farm Bill provided a total of $176 billion for payments to farmers, a 74 percent increase over the assistance the previous Farm Bill would have provided. Following is a list of commodity program issues addressed by the Administration proposal.

Commodity Payments: Commodity payments are designed to ensure that farmers have a base level of income adequate to allow them to keep farming. Direct payments are fixed payments that are based on historical production and vary by commodity, designed to provide a minimum level of income. Counter-cyclical payments are also based on historical production and provide income support when commodity prices fall below a specified level. Marketing loan payments provide price and income support when prices fall below a specified price level.

Sugar Marketing Assessment: A sugar marketing assessment, a fee on the amount marketed, in the range of 1.1 percent to 1.47 percent of the loan rate existed from 1991 to 1999 as a result of a previous budget reconciliation to help reduce a budget deficit. That marketing assessment generated $279 million over 10 years. Marketing assessments were not included in the 2002 Farm Bill.

Dairy Price Support: Through the Dairy Price Support program, the Department of Agriculture (USDA) purchases dairy commodities when necessary to ensure the average price of milk does not fall below the legally mandated support rate of $9.90 per hundredweight (hundred pounds). When dairy prices are well above the support rate, USDA has often continued to purchase dairy products. The Commodity Credit Corporation is expected to purchase 27 million pounds of nonfat dry milk in 2007 even though the average milk price is expected to be $14.90 per hundredweight. In 2008, USDA is expected to purchase 50 million pounds of nonfat dry milk and 10 million pounds of cheese even though the average milk price is not expected to decline. Changes including a requirement for USDA to stop purchases are needed to ensure the Government will continue to operate the dairy price support program efficiently.

Payment Limits: Under the current system, there are many gaps in agricultural payment limits. The farm bill limits farm payments to $180,000 per person. However, current rules allow an individual farmer to receive up to $360,000 per year on three separate farming operations (a full payment on the first operation and up to a half payment for each of two additional entities). The payment limits on marketing loan gains can be exceeded using commodity certificates. Producers can also exceed the limits on direct and counter-cyclical payments by expanding and restructuring entities to maximize government payments. Payments to individuals from dairy operations are not currently subject to individual payment limitations.

Dairy Assessment: A dairy marketing assessment, a fee on the amount marketed, in the range of 5 cents to 11.25 cents per hundredweight, was collected by USDA from 1990 to 1999 as a result of a previous budget reconciliation to help reduce a budget deficit. That marketing assessment generated $1.02 billion over 10 years. The marketing assessments were not included in the 2002 Farm Bill

Crop Insurance: Crop Insurance was designed to be the primary risk management tool for all farmers. It was developed in the late 1930's in response to the dust bowl. Without this program, risk management through insurance would be prohibitively expensive to many farmers. In addition, the regular widespread loss areas common to the agriculture industry prevent the development of commercially available crop insurance. For instance, when drought strikes it generally impacts a large geographic area.

In order to increase farmer participation and get private companies to offer insurance, the Government subsidizes the farmers' premiums, the risk that the insurance companies take, and the insurance companies' administrative costs. The Agriculture Risk Protection Act of 2000 increased the premium subsidy paid by the Government for the farmer, and was intended to end the need for large ad-hoc farm disaster payments. However, ad-hoc disaster payments continued, costing over $10 billion between 2000 and 2004, even with the increased crop insurance subsidies. This is, in part, because the minimum coverage level, catastrophic coverage, typically is not viewed by farmers as providing enough coverage when they suffer a large loss.

Administration Proposal

The President's Budget proposes agriculture program savings. Farmers have experienced strong increases in income over the past three years. Net cash farm income for calendar year 2005 is forecast at $83.2 billion, close to the prior year's record level of $85.5 billion. Exports have been equally strong. U.S. agricultural exports are forecast to reach a record $64.5 billion in fiscal year 2006, exceeding the previous record of $62.4 billion, achieved in both 2004 and 2005. U.S. agricultural exports have shown solid growth for 6 years, increasing every year since 1999. Nevertheless, commodity subsidies are expected to continue to be near record highs in calendar 2005 and the highest since passage of the 2002 Farm Bill.

These proposals do not target any specific commodity or region, but instead are spread throughout the industry. The proposals will reduce subsidies more for larger, more financially secure farms, and will promote more efficient production decisions. By historical standards this is a reasonable proposal, similar to last year's proposal. The Administration understands the value of our farm assistance and believes this strikes a good balance between deficit reduction and continuing to offer farmers a sound safety net. The Administration proposes making the following legislative changes to reduce agricultural spending:

Reduce Commodity Payments: The 2007 Budget proposes reducing all commodity and dairy payments to producers by five percent. Payments to farmers would be calculated using current law and then payments would be reduced by five percent. This reduction is fair and modest and the same as proposed in the President's 2006 Budget.

Sugar Marketing Assessment: The Administration proposes a sugar marketing assessment to be paid by sugar cane and sugar beet processors on all marketed sugar. An assessment of 1.2 percent of the raw sugar loan rate would be paid by first processors for both cane and beets. The proposed change would have a minimal impact on processors and would generate significant budgetary savings.

Dairy Price Support: USDA would be required to operate the dairy price support program at the least cost to taxpayers possible. USDA would be required to adjust their purchase prices for dairy products to reduce Government purchases and storage costs when dairy prices are above the minimum required support levels.

Tighten Payment Limits: This proposal would reduce the payment limit cap for individuals from $360,000 to $250,000 for all commodity payments, including all types of marketing loan gains while removing current rules that allow some individuals to exceed those limits. It also makes marketing loans recourse (i.e., the crop cannot be forfeited instead of repaying the loan) above the payment limit. This reform would eliminate major gaps in the marketing loan limit and tighten the payment limits for each type of commodity payment. In addition, government payments received by individuals from dairy operations would be counted toward individual payment limitations.

Dairy Assessment: The Administration proposes a $0.03 per hundredweight (100 pounds) dairy assessment to be paid by dairy producers on all dairy produced in the United States for commercial use. This proposed change would have minimal impact on production and would generate significant budgetary savings.

Crop Insurance Modification: The 2007 Budget proposal strengthens the role of crop insurance in risk management by tying direct farm payments to the purchase of an adequate level of crop insurance. This change will ensure that all farmers growing the major commodity crops (e.g. wheat, corn, soybeans, and cotton) will have insurance coverage, ensuring that a farmer's revenue loss in a disaster will never be greater than 50 percent. Consequently, farmers will have more crop protection the next time disaster strikes, thereby reducing the need for ad-hoc disaster assistance.

The Administration's proposal also includes a moderate reduction in premium subsidies and a reduction in the administrative costs paid to insurance companies. The smaller subsidy should have a minimal affect on farmers (on average the cost increase will be $150 per insurance policy per year). Under the proposal, a farmer's insurance premium will continue to be subsidized, on average, by more than 50 percent. In addition, insurers will continue to be fairly compensated, and will continue to make policies widely available.

Department of Agriculture: Mandatory Proposal
Restrict Food Stamp Categorical Eligibility

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	33,025	33,447	33,604	34,350	35,213	169,640	360,708
Proposed change from current law....................	-76	-154	-155	-159	-162	-706	-1,585

Background

The Food Stamp Program provides eligible, low-income households with a voucher in the form of an electronic debit card redeemable for food at retail stores. Eligibility is based on income, expenses, assets, and non-financial factors such as citizenship or legal immigration status and fulfillment of applicable work requirements.

Historically, households which were determined eligible for comparable means-tested benefits were deemed "categorically," or automatically, eligible for food stamps. When the Temporary Assistance for Needy Families (TANF) program was established, categorical food stamp eligibility was extended to households receiving TANF cash assistance as well as those only receiving TANF-funded services. However, in practice, TANF-funded services are extremely diverse and do not necessarily have eligibility criteria that are comparable to the Food Stamp program. In some cases, States have expanded categorical eligibility for food stamps to those who have received a pamphlet published with TANF funds. As a result, in some States, households with income and resources well above the regular eligibility criteria are able to receive food stamps.

Administration Proposal

The 2007 Budget proposes to limit Food Stamp categorical eligibility to households receiving Supplemental Security Income (SSI) or Temporary Assistance for Needy Families (TANF) cash benefits. Households receiving TANF-funded services, but not cash, would no longer be automatically eligible for food stamps, but could apply under regular program rules. This proposal conforms the program's rules to their historical intent, ensuring that Federal assistance is targeted to individuals who are most in need. Only households with income or resources above the program's eligibility requirements would be affected by this proposal.

Department of Agriculture: Mandatory Proposal
Allow State Food Stamp Agencies to Use New Hires Directory

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	33,025	33,447	33,604	34,350	35,213	169,640	360,708
Proposed change from current law...................	---	-1	-1	-1	-1	-4	-9

Background

The Food Stamp program provides eligible, low-income households with a voucher in the form of an electronic debit card redeemable for food at retail stores. Eligibility is based on income, expenses, assets and non-financial factors such as citizenship or legal immigration status, and fulfillment of applicable work requirements. In 2004, an estimated 5.88 percent of food stamp benefits was issued in error, either as over- or as under-payments. An estimated 4.5 percent, or about $1.1 billion, was issued to people who intentionally or inadvertently received benefits for which they were not eligible.

In 1996, Congress mandated the establishment of a national repository of employment and wage information to improve enforcement of child support obligations. This database, called the National Directory of New Hires (NDNH), contains employment information on newly hired employees, quarterly wage information, and employment information on Unemployment Insurance applicants and recipients.

While State Food Stamp agencies can access their own State's information, they may not access the information from other States contained in the NDNH. Only programs with specific legislative authority can use the NDNH. Currently, these programs include the Earned Income Tax Credit, the Supplemental Security Income program, the Federal student loan programs, Federal housing programs, and the Unemployment Insurance program.

Administration Proposal

The 2007 Budget proposes to allow State Food Stamp agencies to use the NDNH to verify employment and wage information on food stamp applications and reports. This proposal would improve Food Stamp program integrity by helping to prevent benefits from being issued to people who are not eligible for them. State Food Stamp agencies will be able to obtain more timely information about food stamp applicants and recipients who live in one State but work in another, as well as on those who work for a multi-State employer that reports information to a different State.

Department of Defense: Mandatory Proposal
Increase National Defense Stockpile Sales

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	-70	-73	-76	-76	-70	-365	-645
Proposed change from current law...................	-1	-50	-72	-80	-96	-299	-347

Background

Created after World War II, the National Defense Stockpile program is managed under the authority of the Strategic and Critical Materials Stockpiling Act. The purpose of the Stockpile is to decrease or preclude U.S. dependence on foreign sources for supplies of strategic and critical materials in times of national emergency. Since 1993, Congress has authorized the sale of over 99 percent of the inventory as excess to national defense requirements. Revenues from the sale of commodities that are not needed to operate the Stockpile are transferred to the Treasury for specific congressionally mandated programs or to reduce the deficit.

Administration Proposal

The Administration proposal would permit the sale of the remaining government-owned industrial commodities in the National Defense Stockpile that are not needed for national defense requirements. This would be accomplished by raising the authorized dollar threshold for the sale of specific commodities. Absent this, sales of specific commodities would have to halt once the authorized dollar threshold for sales of those commodities had been reached.

Receipts from these additional sales would be deposited in the Treasury for deficit reduction. Estimates of sales receipts are subject to fluctuation based on future commodity price changes.

Department of Energy: Mandatory Proposal
Repeal Oil and Gas Research and Development Program

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	20	40	50	50	50	210	460
Proposed change from current law....................	-20	-40	-50	-50	-50	-210	-460

Background

The Energy Policy Act of 2005 established a new mandatory oil and gas research and development (R&D) program funded from Federal revenues from oil and gas leases, to be called the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research program. This program is scheduled to begin in 2007 and would be similar to the existing discretionary oil and gas R&D programs, also proposed for termination in the 2007 Budget. These programs develop technologies that industry can use to reduce the cost of exploration and production of oil and natural gas reserves. During consideration of the energy bill in 2005, the President stated that "energy companies do not need taxpayers'-funded incentives to explore for oil and gas."

Administration Proposal

The 2007 Budget proposes to repeal provisions in the 2005 Energy Policy Act for the mandatory oil and gas R&D program. These R&D activities are more appropriate for the private-sector oil and gas industry to perform, and similar discretionary programs have not demonstrated results, as identified in the PART review. The industry has the financial incentives and resources to develop new ways to extract oil and gas from the ground more cheaply and safely. Further, the program has not demonstrated that it is in accord with the Administration's R&D Investment Criteria, which state that programs must demonstrate that industry investment is sub-optimal and avoid duplicating research in areas that are receiving funding from the private sector, especially for evolutionary advances and incremental improvements.

Department of Health and Human Services: Mandatory Proposal
Medicare

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays	389,502	404,762	429,337	456,600	499,580	2,179,781	5,187,024
Proposed changes from current law:							
Part B Premium Subsidies	-40	-170	-410	-560	-760	-1,940	-10,110
Fiscal Control	---	---	---	---	---	---	---
Competition	---	-100	-270	-480	-580	-1,430	-5,220
Program Integrity	-300	-920	-1,530	-2,150	-2,840	-7,740	-26,300
Productivity and Efficiency	-1,880	-4,440	-6,130	-6,650	-7,060	-26,160	-68,820
Payments for Post-Acute Care Services	-380	-470	-490	-520	-570	-2,430	-5,770
Premium interaction	*148*	*615*	*882*	*1,017*	*1,147*	*3,809*	*11,204*
Total changes	-2,452	-5,485	-7,948	-9,343	-10,663	-35,891	-105,016

Background

The Medicare program, established in 1965, offers health care services to individuals aged 65 and older and the disabled. Medicare has traditionally consisted of two parts: Hospital Insurance (HI), also known as Part A, and Supplementary Medical Insurance (SMI), also known as Part B. A third part of Medicare, sometimes known as Part C, is the Medicare Advantage program, which expands beneficiaries' options for participation in private-sector health care plans. The Medicare Modernization Act (MMA) established a fourth part of Medicare: a new prescription drug benefit, also known as Part D, beginning in 2006. In 2005, over 42 million people were enrolled in one or both of Parts A and B of the Medicare program, and about 5 million of them chose to participate in a Medicare Advantage plan.

Administration Proposal

Part B Premium Subsidies: Medicare beneficiaries voluntarily enroll in Part B, and pay monthly premiums for Part B services, which represent approximately 25 percent of total Part B costs. The Part B benefit covers physicians' services, hospital outpatient services, medical equipment and supplies, ambulatory surgical center services, and laboratory tests.

As required by the MMA, beginning in 2007 single beneficiaries with incomes higher than $80,000 ($160,000 for couples) will receive reduced Part B premium subsidies. In other words, they will pay higher monthly premiums to receive Part B services. Thus, while beneficiaries with incomes lower than these thresholds will continue to receive the current 75 percent premium subsidy, the Part B subsidy will be 65 percent for those just above the income thresholds decreasing to 20 percent for single beneficiaries with incomes of $200,000 or more ($400,000 for couples). The reduced subsidies are phased in over three years, as specified by the Deficit Reduction Act, and the income thresholds are indexed annually to the CPI-U.

The 2007 Budget would cease annually indexing income thresholds when determining eligibility for reduced Medicare Part B premium subsidies. Thus, rather than increasing the income threshold every year by CPI-U when assessing reduced subsidy eligibility, single beneficiaries with incomes of $80,000 or higher and couples with incomes of $160,000 will receive reduced Part B subsidies. This slightly increases the number of beneficiaries eligible for reduced subsidies in later years.

Fiscal Control: Medicare is funded by a dedicated payroll tax (the Hospital Insurance or HI trust fund) and out of general revenues (the Supplementary Medical Insurance or SMI trust fund). Growth in Medicare spending exceeds the rate of inflation, and Medicare is expected to account for 20 percent of Federal spending by 2010. Total Medicare expenditures are expected to be about 3 percent of GDP in 2006, climbing to more than 8 percent of GDP in 2040, and reaching almost 14 percent by 2080. The Medicare Trustees estimate that the unfunded liability facing the Medicare program – the gap between its estimated revenue needs and its resources – totals $29.9 trillion over the next 75 years.

The Administration is committed to slowing Medicare's rate of growth while also promoting the delivery of high-quality care to program beneficiaries. Specifically, the MMA created a "Combined Medicare Trust Fund Analysis" that requires the Trustees to analyze Medicare general revenue funding as a percentage of total Medicare outlays as if the Trust Funds were combined. The Trustees must issue a "Medicare Funding Warning" if the share of Medicare funded by general revenue is projected to exceed 45 percent for two consecutive annual reports. The Act provides special legislative procedures to allow the President and Congress to address the shortfall. The 2005 Trustees Report states that the level of general revenue funding may reach 45 percent by 2012.

The 2007 Budget proposes to strengthen the MMA's solvency provision. If Congress fails to act after the Trustee warnings, the Administration proposes to require a four-tenths of one percent automatic across-the-board cut in Medicare beginning in the year the 45 percent threshold is exceeded. The reduction would grow by increments of four-tenths of one percent in each consecutive year the threshold is exceeded. These reductions would serve as a fail-safe measure, only to be implemented if legislation to address the Trustee warnings is not enacted. Under current Budget assumptions, the Administration does not expect the 45 percent threshold to be exceeded until 2017. As a result, there are no savings assumed from this proposal within the 5-year budget window (2007-2011).

Competition: Fee schedules have served as the basis of payment for most items and services covered by Medicare. The Administration seeks to modernize Medicare by increasing competition in the payment to providers for items and services rendered. Enhanced competition engenders and facilitates higher quality of care and lower costs for beneficiaries. Increased competition also creates a more transparent marketplace in the purchase of medical items and services, thereby helping to rationalize the financing of the Medicare program.

The Administration has taken steps to increase competition in Medicare. In 2006, the Administration is implementing a competitive bidding program for drugs and biologicals covered under Medicare Part B. In 2007, it will establish a similar program for the acquisition and payment of durable medical equipment (DME) also covered by the Part B benefit. In addition, Medicare will introduce competition to the awarding of contracts for beneficiary claims processing, tying contractor payments to accuracy and efficiency of services. While the MMA requires completion of contracting reform by 2011, the Centers for Medicare and Medicaid Services is on schedule to complete reform by 2009. The Medicare baseline assumes mandatory savings estimated at $1.4 billion from 2007-2011 from contractor reform.

The 2007 Budget proposes to build on Medicare competitive reforms by establishing a national competitive bidding program for clinical laboratory services. Fee schedules, initially established in 1984, currently serve as the basis for payment of clinical laboratory services. The Budget assumes that payments would decrease by five percent if a competitive bidding program replaced the current fee schedule for payment of these services. Of note, the Inspector General of the Department of Health and Human Services has pointed to the potential for excessive payment and utilization of clinical laboratory services in the Medicare program.

Program Integrity: Medicare seeks to ensure appropriate payment for services rendered. To that end, the Medicare Secondary Payer (MSP) system coordinates payment of benefits with private insurers who offer supplemental coverage to beneficiaries and determines appropriate responsibility for payment of health care claims. The Medicare Health Care Fraud and Abuse Control program works to eliminate fraud and abuse within the Medicare program. Finally, the Medicare bad debt payment system seeks to reimburse providers for unpaid beneficiary cost-sharing.

The 2007 Budget proposes to strengthen the integrity of health benefit payments made by the Federal Government. First, it proposes to establish a data clearinghouse that would work to enhance current MSP practices. Participating Federal health programs would send data to the clearinghouse, which in turn would properly coordinate payments, ensure correct payment amounts, and recover mistaken payments. Federal health programs benefiting from this data clearinghouse would include Medicare, Medicaid, the State Children's Health Insurance Program, the Veterans Health program, the Department of Defense's Tricare program, the Federal Employees Health Benefits Program, and the Indian Health Service. In addition, the Budget proposes to extend MSP status for beneficiaries with End-Stage Renal Disease from 30 months to five years for large employers.

The Budget also requests $118 million for efforts to protect the new Medicare prescription drug benefit and the Medicare Advantage program against fraud, waste, and payment error. These funds are part of a government-wide Budget proposal to fund program integrity activities through a two-year discretionary cap adjustment.

In addition, the Budget proposes to eliminate Medicare bad debt payment to providers for unpaid beneficiary cost-sharing. The policy would encourage provider accountability and would create an incentive for providers to use the same levels of bad debt collection activity for Medicare and non-Medicare patients.

Productivity and Efficiency: Medicare beneficiaries today benefit from innovations that provide an improved quality of life as they age. These changes in the delivery of care and advances in technology also enhance the health care system by improving productivity and efficiency.

Medicare payments to fee-for-service providers are updated annually by an inflation factor through the market basket update. These updates reflect changes in input prices, and providers benefit from keeping cost growth low. However, current Medicare payment updates do not consider improvements in provider productivity.

Currently, Medicare also pays for medical equipment and supplies based on outdated fee schedules and payment requirements. As a result, Medicare and its beneficiaries do not benefit from price reductions that take place due to market competition between vendors.

The 2007 Budget proposes to modernize the framework for Medicare payment updates in 2007, 2008, and 2009 to ensure prudent use of taxpayer dollars and encourage quality and efficiency in Medicare providers. First, the Budget proposes to adjust provider updates for productivity gains to recognize and reward providers who strive to achieve efficiencies that restrain costs. Second, the Budget proposes to recalibrate overly generous Medicare payments to providers of post-acute care.

The Budget also proposes to streamline and modernize Medicare payments for certain durable medical equipment such as powered wheelchairs. These steps will better align rental payments and purchase requirements to more accurately reflect their costs and use, producing savings for taxpayers, the Medicare program, and its beneficiaries.

The Administration will also work to improve efficiency and quality and better target resources in the Quality Improvement Organization program.

Payments for Post-Acute Care Services: About one-third of Medicare patients require skilled nursing or rehabilitation care after receiving acute inpatient care. These services, referred to as post-acute care (PAC), are covered under Medicare in four different settings: home health services, skilled nursing facilities (SNF), inpatient rehabilitation facilities (IRF), and long-term care hospitals. The Balanced Budget Act established separate prospective payment systems (PPS) for each of these providers. The switch to PPS created a splintered system in which Medicare's payment for similar or identical PAC services varied based on the site of service. Medicare sets general criteria for coverage of PAC services in each setting, but these standards do not ensure that a patient is sent to the most clinically appropriate and efficient site of care.

The Deficit Reduction Act includes a three-year demonstration that would aid the development of payments that are not tied to a particular setting. This demonstration would collect data on costs and quality of care across PAC settings, and aid in the development of a site-neutral system.

The 2007 Budget proposes interim adjustments to payments for inpatient rehabilitation facilities (IRF) for hip and knee replacements. Leading experts in rehabilitation medicine, as well as a recent GAO report, have questioned the use of IRFs to treat a growing number of relatively non-complex joint replacement cases. IRFs are organized to provide intensive inpatient rehabilitation care, which is not needed for many of these patients. Based on data from discharges during 2004, the average payment to an IRF for total knee replacement is more than 80 percent greater than the average payment made to SNFs. For total hip replacement, the average IRF payment is close to 40 percent greater than the average SNF payment. The adjustments will ensure that IRF payments for hip and knee replacements rehabilitation do not create an inappropriate incentive for providers.

Department of Health and Human Services: Mandatory Proposal Medicaid/SCHIP

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays	199,445	213,157	228,443	245,551	264,952	1,151,548	2,825,733
Proposed changes from current law:							
Appropriate Payment for Targeted Case Management (TCM) Services	-208	-220	-231	-252	-276	-1,187	-3,078
Restructuring Pharmacy Reimbursement	-130	-205	-295	-315	-340	-1,285	-3,415
Medicaid Prescription Drug Managed Formularies	-15	-31	-41	-44	-47	-177	-469
Medicaid Third Party Liability	-90	-100	-105	-115	-115	-525	-1,175
Medicaid Cost Allocation	-280	-320	-390	-390	-390	-1,770	-3,720
Total changes	-723	-876	-1,062	-1,116	-1,168	-4,944	-11,857

Background

Created in 1965, Medicaid is an open-ended means-tested entitlement program that is jointly financed by the Federal Government and the States. In 2007, Medicaid is projected to provide health coverage and services to nearly 53 million low-income children, pregnant women, elderly, and disabled individuals during the year. Created in 1997, the State Children's Health Insurance Program (SCHIP) is a capped means-tested health program that targets health coverage to children with incomes up to 200 percent of the Federal Poverty Level. States have more flexibility in designing and administering SCHIP, including benefit packages, cost sharing, and health delivery systems.

Medicaid's complexity and open-ended finance structure encourage efforts by States to draw down Federal matching funds, sometimes inappropriately. These financing practices undermine the Federal-State partnership and jeopardize the financial stability of the Medicaid program. The 2007 Budget proposes to build on past efforts to ensure the fiscal integrity of Medicaid and SCHIP, while still projecting annual Medicaid growth at a robust rate of over 7 percent.

Administration Proposal

Appropriate payment for Medicaid Targeted Case Management (TCM) services: The 2007 Budget proposes to align the Federal matching rate for targeted case management services with the standard administrative matching rate of 50 percent.

Targeted case management is largely an administrative activity; therefore, it is appropriate to reimburse it at 50 percent, similar to other Medicaid administrative activities. Some States have inappropriately classified TCM services in order to secure a higher matching rate. This proposal does not affect the amount of reimbursement that States will receive for other Medicaid services to which an individual may be referred by a case manager. This proposal only affects States whose Federal matching rate for medical services is above 50 percent.

Restructuring Pharmacy Reimbursement: In recent years, the Inspector General of the Department of Health and Human Services has found that pharmacies are overpaid by States for drugs in Medicaid. The Deficit Reduction Act (DRA) will reduce these overpayments by creating a market-price based Federal upper limit (FUL) reimbursement methodology for multiple source drugs. This change will be an improvement over previous inflated pharmacy reimbursements.

The 2007 Budget proposes building on the FUL calculation changes in the DRA to further reduce these overpayments. The Budget proposes amending the FUL to 150 percent of the average manufacturers price (AMP) for multiple source drugs, adjusted from the 250 percent of AMP established by the DRA. This change will further slow the rapidly rising costs of Medicaid drugs.

Medicaid Prescription Drug Managed Formularies: Under current law, States must cover any drug for which the manufacturer has agreed to pay a statutorily defined rebate. As a result, States are not able to manage formularies efficiently, as is done in Medicare.

The 2007 Budget proposes allowing States to use managed formularies, which are a common cost-control tool for private insurers. With managed formularies, States will have greater control over drug coverage and greater leverage to negotiate discounts with drug manufacturers.

Medicaid Third Party Liability: The 2007 Budget proposes to strengthen the third-party liability statute in three ways that will increase the amount of reimbursement from third parties to States and to the Federal Government. These proposals represent a change in reimbursement and not a change in eligibility.

In most cases, States must deny a claim for which a third party may be liable and require the provider to bill any other liable party before billing the balance, if any, to Medicaid. This is referred to as the "cost avoidance" methodology. Certain statutory exceptions allow States to pay the claim when it is received initially and then to seek reimbursement from liable parties. This methodology is called "pay and chase." Current law requires States to "pay and chase" third-party reimbursement for prenatal or preventive care.

The first Budget proposal would amend the statute so that States could only "pay and chase" for these services if a third party has not paid within 90 days. After 90 days, States would continue to seek reimbursement for the claim. The second Budget proposal applies to third-party claims involving medical child support. Current law requires States to "pay and chase" these claims if third-party payment has not been received within 30 days. The Budget proposes to extend this period to 90 days. The third Budget proposal would enhance tort settlement recoveries. This proposal would amend statute to expressly permit States to use liens against liability settlements to recover Medicaid costs.

Cost Allocation: The 2007 Budget proposes to reduce duplicate Medicaid payments that were improperly included in Temporary Assistance to Needy Families (TANF) block grants. The 1996 welfare reform law capped Federal funding for administrative costs under TANF and eliminated the open-ended matching structure for administrative costs in Aid to Families with Dependent Children (AFDC). Under the AFDC structure, States generally allocated most of the common eligibility determination costs for AFDC, Medicaid, and Food Stamps to AFDC/TANF. As a result, administrative costs associated with Medicaid were inappropriately included in the TANF block grant. This proposal would reduce Medicaid administrative funding to reflect costs covered by the TANF block grant.

Other Proposals Included in the Budget

The descriptions above focus on savings proposals and do not include the Medicaid program enhancements proposed in the 2007 Budget. For example, the Budget includes Cover the Kids, a national outreach campaign to enroll as many Medicaid- and SCHIP-eligible children as possible. In addition, the Budget would extend Transitional Medical Assistance, which provides health care to families leaving welfare and entering the workforce.

Department of Health and Human Services: Mandatory Proposal
Child Support Enforcement Program

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays..............	3,953	4,021	3,687	3,861	4,032	19,554	42,174
Proposed change from current law....................	-2	-1	-3	-5	-6	-17	-60

Background

The Child Support Enforcement Program works in cooperation with State agencies to ensure that child support, including financial and medical, is available to children by locating parents, establishing paternity, establishing the obligations of parents to provide child support, and modifying and enforcing those obligations.

Administration Proposal

The President's legislative proposals build on the measures included in the Deficit Reduction Act and continue to move the Child Support Enforcement Program toward a focus on healthy, financially strong families by strengthening and expanding enforcement efforts. Over five years it is estimated that these combined proposals will save $17 million and also result in almost $1.6 billion in additional financial support to families. The 2007 Budget includes several child support proposals from previous Budgets aimed at increasing collections (offset of certain Social Security benefits, intercept of gaming winnings, closing a loophole to allow garnishment of longshoremen's benefits, and improving processes for freezing and seizing assets in multi-state financial institutions). It also aims to improve States' efforts to collect medical support on behalf of children by requiring health care plan administrators to notify the Child Support agencies when a child loses health care coverage, so they can assist families in securing alternative coverage. The proposals will provide $60 million in total Federal savings and are estimated to increase the Federal share of collections by $263 million, both over ten years.

Department of Health and Human Services: Mandatory Proposal
Child Welfare Program Option

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	6,741	7,035	7,335	7,660	7,997	36,768	82,551
Proposed change from current law....................	22	5	55	-27	-61	-6	-1

Background

The Foster Care program assists States with the costs of maintaining eligible children in foster care homes. The program's current funding structure, which combines detailed eligibility requirements with complex but narrow definitions of allowable costs, forces a focus on procedure rather than outcomes for children and families. A more flexible financing system that could support preventative services would result in a stronger and more responsive child welfare system.

Administration Proposal

The Administration has proposed an alternative funding option for the Foster Care program that would give States more flexibility in the population served and the activities that are eligible for reimbursement. The proposal would allow States to receive up-front funding to finance prevention and other child welfare efforts intended to reduce the number of children entering foster care.

Department of the Interior: Mandatory Proposal
Arctic National Wildlife Refuge Lease Bonuses

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	--	--	--	--	--	--	--
Proposed change from current law....................	---	-3,502	-2	-503	-3	-4,010	-4,025

Background

One of the most promising areas for future domestic oil and gas development is the coastal plain of the Arctic National Wildlife Refuge (ANWR). In 1980, Congress enacted the Alaska National Interest Lands Conservation Act (ANILCA), which redesignated the Arctic Range as ANWR, and expanded its boundaries to include an additional 9.2 million acres. ANILCA designated much of the original Refuge as a wilderness area. However, the coastal plain (also referred to as the "1002 Area") continued to be considered for possible resource development.

Administration Proposal

The 2007 Budget proposes to authorize exploration and, if resources are discovered, environmentally-responsible oil and gas development in the 1002 Area of the Arctic National Wildlife Refuge. Technological advances have dramatically reduced the environmental impact of new oil and gas production since ANILCA was passed in 1980. For instance, the development footprint from production would cover only about one-tenth of one percent of the 1002 Area.

Reducing the Nation's dependence on foreign energy sources is a top Administration priority. The Department of the Interior estimates that the 1002 Area holds between 5.7 billion and 16 billion barrels of recoverable reserves, or up to 1 million barrels per day of new domestic oil supply. The State of Alaska would receive half of revenues from bonus bids, rents, and royalties collected from oil and gas production in ANWR. The receipt estimates associated with this proposal represent the Federal share and have been revised to reflect updated technical information and the Energy Information Administration's higher long-term energy price projections.

Department of the Interior: Mandatory Proposal
Reform Bureau of Land Management Land Sales

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	--	--	--	--	--	--	--
Proposed change from current law...................	-1	-28	-40	-42	-71	-182	-351

Background

The Federal Land Transaction Facilitation Act (FLTFA) was enacted by the Congress in 2000 to better rationalize the Bureau of Land Management's (BLM) land ownership patterns and encourage the sale of lands that do little to contribute to the agency's mission. The Act authorizes the sale of BLM lands that have been classified as suitable for disposal under resource management plans in place at the time the Act was passed. Further, it allows the Department of the Interior to retain the proceeds from these sales to cover BLM's administrative costs for conducting the sales and to acquire other high-value non-Federal parcels within specially-designated areas such as national parks, refuges, and monuments.

Administration Proposal

The 2007 Budget proposes to amend FLTFA by expanding the set of lands that the Department of the Interior would be authorized to sell under the Act and authorizing additional uses of the funds generated from FLTFA sales. Under the proposal, DOI would be able to retain a portion of the proceeds from the sale of BLM lands that have been identified for disposal in all BLM land use plans, and the agency would be able to use a portion of the proceeds for restoration projects on BLM lands (in addition to land acquisition).

The proposal would return 70 percent of net proceeds to the Treasury, exclusive of BLM's administrative costs. In addition, 100 percent of revenues in excess of $60 million per year would be returned to the Treasury. This proposal will allow BLM more flexibility over which lands it sells, minimize the amount of Federal spending not subject to regular oversight through the appropriations process, and ensure that taxpayers benefit directly from these land sales.

Department of the Interior: Mandatory Proposal
Eliminate Bureau of Land Management Range Improvement Fund

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	10	10	10	10	10	50	100
Proposed change from current law...................	-7	-10	-10	-10	-10	-47	-97

Background

The Bureau of Land Management's (BLM) Range Improvement program is funded from a combination of money from both appropriations and grazing fees received for allowing ranchers to graze livestock on public lands. These grazing fees compensate the public for the use of Federal lands for this purpose. Range improvements include vegetation projects, fencing, and livestock watering troughs.

Administration Proposal

The 2007 Budget proposes to eliminate BLM's range improvement fund. The mandatory nature of the funding does not allow program managers to consider an array of spending options and shift funding toward higher priorities. Under the Administration's proposal, BLM would retain the ability to fund range improvements to benefit wildlife within its appropriated budget.

In addition, BLM expects to publish new regulations in 2006 that will allow grazing permittees to share title to range improvements. This should increase the level of private investment in improvements in 2006 and thereafter, and will decrease the need for the Federal Government to fund these projects.

Department of the Interior: Mandatory Proposal
Recover Pick-Sloan Project Costs

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	-155	-179	-176	-164	-180	-854	-1,721
Proposed change from current law....................	-23	-23	-23	-23	-23	-115	-230

Background

This multipurpose, multi-agency (Bureau of Reclamation, Army Corps of Engineers, and Western Area Power Administration) irrigation, flood control, and power generation program serves parts of ten States in the Midwest. Power customers have repaid the construction costs of most of the project, and annually reimburse the Bureau of Reclamation for its operating and maintenance (O&M) expenses on that portion of the project. However, several hundred million dollars of the program's hydropower and water storage capital costs were allocated to irrigators, but because the irrigation was never developed, the capital and O&M costs on this portion of the project are not being repaid to the Federal Government. Meanwhile, power customers have been using, but not paying for, the dams and reservoirs originally allocated to irrigation, and the price of the power has, therefore, been subsidized.

The Government successfully took similar cost re-allocation action for part of this project in the mid-1980s, with minimal impacts to power rates. Both the Government Accountability Office and the Department of the Interior's Office of the Inspector General have raised concerns that these costs are not being paid, and suggested that costs be re-allocated to power customers.

Administration Proposal

The 2007 Budget again proposes to re-allocate repayment of capital costs of the Pick-Sloan Missouri Basin Program. Power customers will be responsible for repayment of all construction from which they benefit, whereas to date they have only been responsible for a portion of it. This proposal will not impact services, and will ensure taxpayer investments are being repaid as intended, through a modest increase in power rates to the program's beneficiaries. This increase could be phased in gradually over time and phased out when costs are repaid.

Department of the Interior: Mandatory Proposal
Repeal Energy Bill Fee Prohibition

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	--	--	--	--	--	--	--
Proposed change from current law...................	-5	-27	-27	-27	-24	-110	-209

Background

The Bureau of Land Management's (BLM) Energy and Minerals program is responsible for managing the development of Federally-owned minerals such as oil, gas, coal, sand and gravel. A 1995 report from the Department of the Interior's Office of Inspector General found that the program did not adequately charge users of the public lands for specific services performed on behalf of those users. In 2004, the Administration began a new effort to address this shortcoming and institute new fees in the program.

BLM was on the verge of implementing a rulemaking to put the new fees in place when a last-minute addition to the recently-enacted Energy Policy Act prohibited BLM from doing so. Instead, the Act diverted from the Treasury a mandatory stream of funding from oil and gas rental receipts to pay for additional permit processing. The Act also diverted from the Treasury the Federal share of geothermal leasing revenues; 25 percent of total receipts are now deposited in a BLM geothermal fund and the remaining 25 percent is provided to counties where geothermal production is occurring. This is inconsistent with the longstanding 50/50 Federal-State revenue sharing arrangements under the Mineral Leasing Act.

Administration Proposal

To ensure the Government receives fair compensation for the use of the Nation's land and minerals, the Budget proposes to repeal the Energy Policy Act's fee prohibition and substitute new user fees for the mandatory funding provided by the Act. The proposal would also return to the traditional 50/50 Federal-State revenue sharing arrangement for geothermal revenues.

This proposal supports the Administration's efforts to charge for government services where the direct beneficiary can be identified. This will shift these costs from taxpayers and allow DOI to better process permit applications as demand increases. The proposed fees are expected to generate approximately $20 million beginning in 2008, thereby reducing the cost to taxpayers for operating these programs. Additional savings will be generated by discontinuing the Act's mandatory spending provisions related to geothermal receipts.

Department of Labor: Mandatory Proposal
Reform Pension Benefit Guaranty Corporation

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	-414	118	304	707	1,111	2,937	12,617
Proposed change from current law...................	---	-4,195	-4,181	-4,164	-4,140	-16,680	-37,056

Background

Founded in 1974, the Pension Benefit Guaranty Corporation (PBGC) is a wholly-owned government corporation that insures the defined benefit pension plans of 44 million Americans. More than three-fourths of those insured by the PBGC are in the single-employer system, while nearly a quarter are covered by a multi-employer plan. The PBGC's single-employer program guarantees payment of benefits under defined benefit pension plans, subject to statutory limitations, in the event the employer can no longer maintain the plan. PBGC insurance is mandatory for most private, defined-benefit pension plans.

Large pension plan defaults over the past few years have considerably worsened the financial position of the PBGC. PBGC's single employer plan has moved from an accounting surplus to a deficit of nearly $23 billion over the past four years. This deficit represents the total present value of its unfunded benefit promises to retirees.

The Deficit Reduction Act includes increased flat-rate premiums for the PBGC, though projected baseline premium receipts are far lower than the level necessary to restore the solvency of the system. Although PBGC has enough money to pay benefits for a number of years, reform is necessary to ensure solvency. The Congress has proposed pension reform within the past year and bills have passed in both the House and Senate. A House-Senate conference committee on these bills is expected early in 2006.

Administration Proposal

The 2007 Budget re-proposes legislation to reform the defined benefit pension system by strengthening funding rules, disclosure requirements, and premiums. The proposal to eliminate the single-employer system deficit in ten years has not changed from the 2006 Budget, though the projected deficit of the PBGC has deteriorated and the premium collections that are projected under current law have been reduced. Therefore the level of premium increases necessary to eliminate this deficit is greater than proposed in the 2006 Budget.

Department of Labor: Mandatory Proposal
Unemployment Insurance Integrity

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	37,923	40,025	42,270	44,725	47,247	212,190	486,502
Proposed change from current law...................	---	-482	-515	-365	-376	-1,738	-3,774

Background

The Unemployment Insurance (UI) program was created in 1935 to provide temporary income support to workers who have lost their jobs through no fault of their own. The program is a Federal-State partnership. The States determine an unemployed worker's eligibility for UI benefits, and pay the benefits with State-levied taxes on employers. The Federal Government provides grants to States for the program's administrative expenses, helps pay for extended unemployment benefits during recessions, and provides interest-bearing loans to States that run short of funds to pay UI benefits.

A top management challenge for the UI program is improper benefit payments and tax avoidance, with benefit overpayments reaching almost $3 billion in 2005. These problems undermine the financial integrity of the UI program. The Administration and the Congress have worked together to give the States new tools to reduce overpayments and decrease employer tax evasion. For example, the SUTA Dumping Prevention Act of 2004 addressed the practice by unscrupulous employers of manipulating their UI tax rates, thereby shifting costs to other employers. That Act also gave State unemployment agencies access to the National Directory of New Hires so that they have more timely information to prevent UI claimants who have gone back to work from continuing to collect weekly benefits.

Administration Proposal

The 2007 Budget proposes legislation to strengthen the financial integrity of the unemployment insurance system by reducing improper benefit payments and tax avoidance. The Administration's proposal will boost States' ability to recover benefit overpayments and deter tax evasion schemes by permitting them to use a portion of recovered funds to expand enforcement efforts in these areas and pay for private collection agencies. It will permit collection of delinquent UI overpayments and employer taxes through garnishment of Federal tax refunds. The proposal will also improve the accuracy of hiring data in the National Directory of New Hires, which would reduce benefit overpayments.

These efforts to strengthen the financial integrity of the UI system will keep State UI taxes down and improve the solvency of the States' unemployment trust funds.

Department of Labor: Mandatory Proposal
Reform Federal Employees' Compensation Act

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	227	277	282	288	292	1,366	2,906
Proposed change from current law...................	-3	-8	-10	-11	-13	-45	-140

Background

Administered by the Department of Labor (DOL), the Federal Employees' Compensation Act (FECA) program covers nearly three million Federal employees, providing wage-replacement and medical benefits to those workers who suffer occupational injury or disease. FECA benefits are paid by the DOL, which is then reimbursed by Federal agencies for benefits paid to their employees. FECA pays up to 75 percent of the individual's basic pay, adjusted annually based on the Consumer Price Index. Under current law, individuals can receive FECA benefits indefinitely, as long as their injury or illness diminishes their wage-earning capacity. Because they are tax-free, FECA benefits typically exceed Federal retirement benefits, which entices individuals to remain on FECA past when they would otherwise have retired. FECA has not been substantially updated since 1974.

Administration Proposal

The 2007 Budget proposes legislation to update the FECA program's benefit structure, adopt best practices of State workers' compensation systems, and strengthen return-to-work incentives. The proposed legislation would amend FECA to convert prospectively retirement-age beneficiaries to a retirement annuity-level benefit, impose an up-front waiting period for benefits, as is done in every State workers' compensation system, streamline claims processing, permit DOL to recapture compensation costs from responsible third parties, and make other changes to improve and update FECA. (The table above reflects net savings to the FECA account, and does not include projected reductions in Federal agencies' payments for FECA benefits paid to their employees. On a government-wide basis, these reforms are expected to produce 10-year government-wide savings of $592 million.)

Department of the Treasury: Mandatory Proposal
Financial Management Service Debt Collection Initiative: Eliminate the 10-year Statute-of-Limitations on the Collection of Non-Tax Debt Owed to Federal Agencies

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	---	---	---	---	---	---	---
Proposed change from current law....................	-11	-6	-6	-6	-6	-35	-65

Background

The Financial Management Service (FMS) debt collection offset process collects delinquent non-tax debts owed to Federal agencies by private entities by reducing tax refunds and other Federal payments (e.g., benefits payments, vendor payments, and wage garnishment) made to those entities. In 2005, the debt collection program collected $3.25 billion in delinquent non-tax debt, and, in 2003, the Debt Collection program received an "effective" rating on an evaluation using OMB's PART. As a result of the PART analysis, the 2005 Budget proposed initiatives to increase opportunities to collect delinquent debt owed to Federal agencies. Several of these proposals were enacted into law.

Administration Proposal

This proposal, which was included in both the 2005 and 2006 Budgets but not enacted, would eliminate the 10-year statute of limitations period applicable to the offset of Federal non-tax payments. These payments are offset in order to collect debts owed to Federal agencies. Under current law, Federal payments made to payees (e.g., vendors, beneficiaries) who are delinquent on their debt to the Federal Government cannot be offset if the debt has been outstanding for more than 10 years. The proposal would ensure that delinquent obligations to the Federal Government can be collected by offset without regard to any Federal or State statutory, regulatory, or administrative limitation on the period within which debts may be collected. The ability to pursue collection indefinitely would be tempered by government-wide regulations that set forth standards for when it is and is not appropriate to continue collection. Such standards are intended to ensure that the Federal Government's debt collection efforts are directed toward those with the ability to pay.

Federal Communications Commission: Mandatory Proposal
Extend Spectrum Auction Authority

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	-19,670	-13,318	-2,870	-100	-100	-36,058	-36,058
Proposed change from current law...................	---	---	---	---	---	---	-1,000

Background

The Federal Communications Commission (FCC) began auctioning communications spectrum licenses in 1994. These auctions have been widely recognized as an effective and successful approach to allocating licenses. The Deficit Reduction Act extends the FCC's authority to auction spectrum licenses only from 2007 through 2011.

Administration Proposal

The Administration proposes to extend the FCC's auction authority indefinitely. Auction of spectrum licenses has proved to be an efficient, fair, and transparent approach to allocating this resource and has helped ensure that taxpayers receive fair market value. Collections are estimated to be $200 million per year beginning in 2012.

Federal Communications Commission: Mandatory Proposal
Terminate Telecommunications Development Fund

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	5	5	6	7	7	30	65
Proposed change from current law...................	-5	-5	-6	-7	-7	-30	-65

Background

The Telecommunications Development Fund (TDF) was created by Congress in 1996 with the mandate to finance small businesses in the telecommunications sector, help develop new technologies, and promote universal telecommunication service. It started operations in 1998 as an equity investment venture capital fund focusing on early-stage companies. Over the years, the fund has been capitalized by the Federal Government; it retains the interest earned on deposits made by bidders in Federal Communication Commission spectrum auctions. Between 1998 and 2004, TDF received nearly $50 million in interest on these deposits.

Through the end of calendar year 2004, TDF had invested a total of $22 million in about 14 companies. TDF has already written off more than $14 million of these investments. Meanwhile, TDF spent approximately $11 million on salaries and other administrative expenses during the same period. As of December 2004, TDF also held $18 million in cash equivalent securities.

Administration Proposal

As a result of the TDF's disappointing performance, lack of impact, and high administrative costs, the 2007 Budget proposes terminating the fund and returning its remaining assets to the Treasury.

Office of Personnel Management: Mandatory Proposal
Amend Federal Employees Health Benefits Program Statute

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Baseline outlays.............	35,092	38,393	41,269	44,447	47,797	206,998	506,008
Proposed change from current law....................	-34	-134	-231	-306	-367	-1,072	-3,431

Background

The Federal Employees Health Benefits (FEHB) program was created in 1959 to make hospital and major medical health insurance available to active Federal employees and their families. The purpose of the FEHB program is to provide Federal employees, retirees, and their families with health benefits coverage meeting their individual health needs as well as the Federal Government's recruitment and retention needs.

Administration Proposal

The 2007 Budget proposes to amend the FEHB statute to allow the Service Benefit Plan to offer a High Deductible Health Plan (HDHP) option. Currently, the Service Benefit plan is limited by statute to two levels of benefits, while the other FEHB plans are able to offer two options plus a HDHP option.

This proposal would reduce mandatory spending (assuming the Service Benefit Plan offers a HDHP option in 2007, and that enrollees would move from a higher cost plan to this proposed HDHP option). This proposal supports the Administration's policy to give individuals greater control over their health insurance options and is a step towards restraining health care inflation in the FEHB.

USER FEES

Mandatory User Fee Proposals
(Outlays in millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
User Fee Proposals:*							
Agriculture:							
Food Safety and Inspection Service**	-105	-155	-148	-151	-154	-713	-1,535
Grain Inspection and Livestock**	-20	-20	-21	-21	-22	-104	-220
Animal Welfare Program**	-8	-11	-11	-12	-12	-54	-117
Agricultural Marketing Service**	-2	-2	-2	-2	-2	-10	-20
Federal Crop Insurance**	---	-15	-15	-15	-15	-60	-135
Health and Human Services:							
Food and Drug Administration**	-26	-27	-27	-28	-28	-136	-286
Homeland Security:							
Customs and Border Protection	---	---	---	---	---	---	-5,830
Treasury:							
Alcohol and Tobacco Tax and Trade Bureau**	-29	-29	-29	-29	-29	-145	-290
Environmental Protection Agency:							
Pesticide Activites**	-56	-66	-53	-53	-53	-281	-546
Pre-Manufacturing Notification**	-4	-8	-8	-8	-8	-36	-76
Federal Communications Commission:							
Spectrum License Fees	-50	-150	-300	-300	-400	-1,200	-3,625
Total, Mandatory User Fee Proposals	-300	-483	-614	-619	-723	-2,739	-12,680

* Assumes enactment of S. 1932. In addition to the deficit reducing proposals shown here, the Corps of Engineers chapter in the 2007 Budget includes a cost-neutral RecMod initiative in which user fees would finance better service at lower cost to taxpayers. The Budget also includes a cost-neutral Marketing Agreement and Orders user fee proposal that shifts costs of promotion of agricultural products more to the industries that benefit.

** The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Department of Agriculture: Mandatory Proposal*
Food Safety and Inspection Service

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-105	-155	-148	-151	-154	-713	-1,535

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The primary objectives of the Food Safety and Inspection Service (FSIS) are to ensure that meat, poultry, and processed egg products are wholesome, unadulterated, and properly labeled and packaged, as required by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act.

The 2004 and 2005 President's Budgets included discretionary legislative proposals to authorize a new overtime user fee that were not adopted. The 2006 Budget proposed permanent legislation to collect mandatory receipts, which also was not adopted.

Administration Proposal

Currently, FSIS has the authority to require establishments to reimburse the agency for the cost of providing overtime inspections when a partial or unplanned shift occurs. An establishment does not reimburse FSIS for regularly scheduled eight hour shifts.

The 2007 Budget proposes a new authority to charge user fees to cover the cost of providing all inspection services beyond a primary eight hour shift at all establishments inspected by the FSIS. Use of this new fee would be subject to appropriation. The Federal Government would continue to pay the full costs for a primary, eight hour inspection shift.

Department of Agriculture: Mandatory Proposal*
Grain Inspection, Packers and Stockyards Administration user fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-20	-20	-21	-21	-22	-104	-220

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Grain Inspection, Packers and Stockyards Administration's (GIPSA) core function is to facilitate the marketing of livestock, poultry, meat, cereals, oilseeds, and other related agricultural products and to promote fair and competitive trading practices for the overall benefit of consumers and agricultural producers. GIPSA develops, reviews, and maintains official U.S. grain standards used by the entire grain industry. In addition, GIPSA administers the Packers and Stockyards Act, which prohibits deceptive and fraudulent trading practices by livestock market agencies, dealers, stockyards, packers, and swine contractors.

Administration Proposal

The Budget proposes to charge user fees to recover the cost of administering two programs under GIPSA. These proposals would enable GIPSA to charge fees for the development, review, and maintenance of official U.S. grain standards and also for licensing fees to livestock market agencies, dealers, stockyards, packers, and swine contractors. Current law provides the agency with registration requirements for market agencies and dealers, but there is no authority for licensing fees. Both of these proposals shift funding to user fees for programs that benefit identifiable groups.

Department of Agriculture: Mandatory Proposal*
Animal Welfare User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-8	-11	-11	-12	-12	-54	-117

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Animal Welfare Program, operated by the Animal and Plant Health Inspection Service, is responsible for the humane treatment of animals covered by the Animal Welfare Act. This program has traditionally been funded entirely through discretionary appropriations. The program monitors the humane treatment of animals through inspections of research facilities, certain animal dealers, circuses, and carriers and interstate handlers of covered animals, including the inspection of premises to ensure the proper treatment of animals. In prior years, the Administration has unsuccessfully sought legislation to offset discretionary funds with collections.

Administration Proposal

In 2007, the Administration proposes user fees to cover a portion of the cost of monitoring research facilities, animal dealers, and other covered entities. Funding this program through a fee on those who benefit from the program would reduce the burden of the program to the general public.

Department of Agriculture: Mandatory Proposal*
Agricultural Marketing Service User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-2	-2	-2	-2	-2	-10	-20

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Agricultural Marketing Service carries out a wide range of activities designed to facilitate the marketing of U.S. agricultural products, both domestically and internationally. AMS provides many of these services on a voluntary, fee-for-service basis, often at the request of industry groups. USDA has a lengthy history and established precedent of proposing legislation to collect user fees for standards development. Language that would allow the agency to collect fees for standards development has been requested in previous fiscal years, but has not been accepted by Congress. In 1995, Congress provided AMS with the authority to collect fees for standards development (without the authority to retain and spend the fees) through regulation.

Administration Proposal

This proposal would enable the AMS to charge fees to customers of the agency's inspection and grading programs to reimburse the agency for the costs associated with the development, review, and maintenance of official grading standards. Current law provides the agency with general user fee authority to charge for these activities, but does not also provide the agency with authority to use the fees to offset its appropriated funding.

Department of Agriculture: Mandatory Proposal*
Federal Crop Insurance User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	---	-15	-15	-15	-15	-60	-135

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

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

Administration Proposal

The 2007 Budget includes a proposal to implement a participation fee in the Federal crop insurance program. The proposed participation fee would initially be used to fund modernization of the existing information technology (IT) system and would supplement the annual appropriation provided by the Congress. Subsequently, the fee would be shifted to maintenance and would be expected to reduce the annual appropriation. The participation fee would be charged to insurance companies participating in the Federal crop insurance program. Based on a rate of about one-half cent per dollar of premium sold, the fee is expected to be sufficient to generate about $15 million annually beginning in 2008. The existing IT system is nearing the end of its useful life and recent years have seen increases in "down-time" resulting from system failures. Over the years, numerous changes have occurred in the Federal crop insurance program, including, the development of revenue and livestock insurance which have greatly expanded the program and taxed the IT system due to new requirements, such as daily pricing, which were not envisioned when the existing IT system was designed. These new requirements contribute to increased maintenance costs and limit RMA's ability to comply with Congressional mandates pertaining to data reconciliation with the Farm Service Agency. The participation fee will alleviate these funding problems.

Department of Health and Human Services: Mandatory Proposal*
Food and Drug Administration User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-26	-27	-27	-28	-28	-136	-286

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Food and Drug Administration (FDA) regulates the safety and effectiveness of human and animal drugs, medical devices, vaccines, and animal feeds, and the safety of food. It accomplishes these tasks through pre-market review of new products and continued safety surveillance of products already available to consumers.

Currently, the FDA charges a variety of user fees for activities such as pre-market review of prescription drugs, animal drugs, and medical devices, the issuance of export certificates for human and animal drugs, and medical devices. The existing pre-market review user fees reflect authorized rates that are supported by industry and specifically calibrated to ensure that FDA receives the necessary resources to complete its review of new drug applications in a timely fashion. FDA also assesses a fee for issuing export certificates, which attest to the safety of these products, for some of the products it regulates. Although FDA issues export certifications for all products it regulates, the agency only has authority to charge a fee to issue export certifications for human and animal drugs, and medical devices.

In addition, FDA conducts post-market inspections of food, human drug, biologic, animal drug and feed, and medical device manufacturers (both domestic and foreign) to assess their compliance with Good Manufacturing Practice (GMP) requirements. In 2004, approximately 1,500 out of 21,000 firms inspected were found non-compliant with GMPs and other important FDA requirements. Under current law, FDA does not have the authority to assess fees for follow-up inspections required to ensure that manufacturers have addressed violations that were found during the initial inspection.

Administration Proposal

The 2007 Budget includes two new mandatory user fees. The Budget: 1) expands FDA's current authority to collect user fees for issuing export certificates for human drugs, animal drugs and devices to include food and animal feed (estimated collections of $3.5 million); and 2) enables FDA to assess fees for re-inspections (estimated collections of $22 million). Both fees are designed to improve the overall management of these activities. Timely issuance of food/feed export certificates funded through user fees would improve the ability of food and animal feed producers to export their products and would eliminate the current preferential treatment of the food and feed industry. A fee for repeat inspections will serve as an incentive to industry to conform to GMPs and other FDS requirements will more equitably share the financial burden of re-inspections between industry and the public.

Department of Homeland Security: Mandatory Proposal
Customs and Border Protection User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	---	---	---	---	---	---	-5,830

Background

The Administration proposes the reauthorization of two user fees collected by U.S Customs and Border Protection (CBP). CBP currently collects multiple different conveyance and passenger user fees under the Consolidated Omnibus Budget Reconciliation Act (COBRA) of 1985 and related statutes and a merchandise processing fee (MPF) established by the Omnibus Budget Reconciliation Act of 1986, all of which are set to expire on September 30, 2014.

COBRA revenues are used to pay for CBP's inspectional overtime (land and air), preclearance costs, new inspectional personnel (at airports and seaports), new equipment, and related items that may enhance inspectional services. MPF revenues are used to offset CBP's normal operations. Expiration would prevent the Department of Homeland Security from collecting fees for providing these services.

Public Law 108-89 extended the fee authority through March 31, 2004. Public Law 108-121 further extended the fee authority through March 1, 2005. P.L. 108-357 – the American Jobs Creation Act of 2004 – reauthorized the fees through 2014.

Administration Proposal

The 2007 Budget proposes the extension of the COBRA and MPF fees. Collections for the two fees are estimated to be $5.83 billion in 2015 and 2016.

Department of the Treasury: Mandatory Proposal*
Alcohol and Tobacco Tax and Trade Bureau (TTB) User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law.................	-29	-29	-29	-29	-29	-145	-290

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Alcohol and Tobacco Tax and Trade Bureau (TTB) enforces Federal laws related to the production and distribution of alcohol and tobacco products through activities including education, inspection, laboratory testing, and investigation. TTB works with industry, State Governments, and other interested parties to facilitate compliance with regulatory requirements and provides technical and legal expertise, training, information, and research results to industry members, Government agencies, and others in order to better protect and serve the public.

Administration Proposal

The 2007 Budget proposes to establish user fees so that the industry that benefits will cover the costs of TTB's regulatory functions under its "Protect the Public" line-of-business. The new user fees include administrative fees for "drawbacks" (partial refunds for non-beverage products, such as mouthwash) from Manufacturers of Non-Beverage Products. They also include filing fees for all new Certificate of Label Approvals for distilled spirits, wine, beer, American Viticultural Areas, proposed formulas, and new (not amended) permit applications. TTB's efforts assure the public that alcohol and tobacco products reaching the marketplace are unadulterated, thereby providing marketing and sales value to the industry.

Environmental Protection Agency: Mandatory Proposal*
Pesticide User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-56	-66	-53	-53	-53	-281	-546

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Environmental Protection Agency's (EPA) pesticides activities include the registration and reregistration of pesticides, the establishment and reassessment of pesticide tolerances, and various field activities that support the implementation of registered pesticides requirements. Registration, reregistration, and tolerance work are complex, technically-intense activities that involve scientific risk assessments and evaluation of human health and environmental impacts. EPA currently collects fees from entities seeking to register their pesticides and from entities with existing pesticides registered for use in the United States, as authorized by the Pesticide Registration Improvement Act (PRIA) of 2004. However PRIA also prohibits EPA from collecting other statutorily authorized fees such as those for setting tolerances.

The total cost of the EPA's pesticides programs in 2007 is estimated to be $166 million. Of the total, $31 million (19 percent) will come from two fees currently charged to pesticide registrants for registration and reregistration activities.

Administration Proposal

Under current law, less than one-fifth of the costs of EPA's 2007 pesticide activities will be covered by fees. The 2007 Budget proposes to:

- Increase collections of currently authorized pesticide user fees.
- Eliminate the PRIA prohibition and collect the tolerance fee in 2007.
- Institute a new fee to recoup the costs of EPA's Registration Review program.

The Administration would collect an additional $56 million, which would cover approximately half of program costs in 2007. The Administration has long maintained that the bulk of the costs associated with EPA's pesticide activities should be covered by fees because pesticide registrants receive direct benefits from EPA's services, similar to the policy used at FDA, which charges fees to cover the cost of approving new drugs.

Environmental Protection Agency: Mandatory Proposal*
Pre-Manufacturing Notification User Fee

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law..................	-4	-8	-8	-8	-8	-36	-76

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2008. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

As required by the Toxic Substances Control Act (TSCA), EPA reviews new chemicals and their intended uses to ensure that they are not harmful to human health and the environment. Manufacturers must submit a pre-manufacture notice to EPA for these chemicals. Since 1999, EPA has collected limited fees to defray part of the cost of reviewing and processing these notices. Currently, the fees collected cover approximately one-quarter of the program costs. TSCA currently limits the fee amount that can be charged to manufacturers at a level which does not adequately cover the cost of the Pre-Manufacture Notice (PMN) program.

Administration Proposal

The Administration proposes to eliminate the $2,500 cap on the PMN fee in Section 26(b) of TSCA to allow EPA to recover a greater portion of the cost of the program. This proposal is consistent with government-wide efforts to appropriately align program costs with those who benefit directly from such services.

Federal Communications Commission: Mandatory Proposal
Spectrum License User Fees

Funding Summary
(In millions of dollars)

	2007	2008	2009	2010	2011	2007-11	2007-16
Proposed change from current law.................	-50	-150	-300	-300	-400	-1,200	-3,625

Background

The Federal Communications Commission (FCC) began auctioning communications spectrum licenses in 1994. However, auction requirements apply only to initial licenses, not to applications for renewal or modification, or to licenses granted prior to auction authority. Providing the FCC with the authority to charge fees for un-auctioned spectrum licenses and construction permits based on public interest and spectrum management principles will advance the goal of efficient spectrum use.

Administration Proposal

The Administration will propose legislation to provide the FCC with new authority to use economic mechanisms, such as fees, as a spectrum management tool. The FCC would be authorized to set user fees on un-auctioned spectrum licenses and construction permits, which would help bring parity to spectrum license acquisition costs, thus reducing market distortions and promoting greater efficiency in the use of spectrum resources. For example, some un-auctioned spectrum is used for services similar to those provided by cell phone providers or satellite-television providers that purchased their spectrum at auctions. Fee collections on this un-auctioned spectrum would level the playing field across providers and spectrum uses. Fee collections would begin in 2007 and would be deposited into the general fund of the Treasury. Penalties for late payment and license revocation provisions would help to ensure compliance.

Given the importance of the electromagnetic spectrum to ongoing innovation in telecommunications, appropriate valuation and consideration of opportunity cost of use is vital. Providing the FCC with the authority to charge fees for un-auctioned spectrum licenses and construction permits will advance the goal of efficient use of spectrum by making license holders aware of the value – and opportunity cost – of their spectrum holdings. The projected receipts from this proposal are estimates; the FCC would have the ability to set appropriate fee rates based on spectrum management and public interest considerations.

BUDGET ENFORCEMENT AND OTHER REFORMS

BUDGET ENFORCEMENT AND OTHER REFORMS

The budget process should be transparent, accountable, and orderly. The current budget process would benefit from reforms that help achieve these goals. No one change can fix the budget process, and process alone cannot address important fiscal issues. Nevertheless, process changes can be key factors in the effort to control spending. Starting with *A Blueprint for New Beginnings* and continuing with subsequent budgets, this Administration has consistently proposed changes to the budget process that are designed to improve budget decisions and outcomes. This chapter updates the Administration's proposals and describes additional reforms proposed by the Administration.

Controlling Entitlements and Other Mandatory Spending

Mandatory Spending Control.—

The Administration proposes to require that all legislation that changes mandatory spending, in total, does not increase the deficit. The five-year impact of any proposals affecting mandatory spending would continue to be scored. Legislation that increases the current year and the budget year deficit would trigger a sequester of direct spending programs. The proposal does not apply to changes in taxes and does not permit mandatory spending increases to be offset by tax increases.

Long-Term Unfunded Obligations.—

The Administration proposes new measures to address the long-term unfunded obligations of Federal entitlement programs. As discussed in Chapter 13 of the *Analytical Perspectives* volume, "Stewardship," spending by the Government's major entitlement programs, particularly Social Security and Medicare, is projected to rise in the next few decades to levels that cannot be sustained, either by those programs' own dedicated financing or by general revenues. The Administration's proposed measures are designed to begin addressing these challenges.

In the Medicare Modernization Act (MMA) of 2003, Congress provided for a more comprehensive review of the Medicare program's finances and required the Medicare trustees to issue a warning when general revenue Medicare funding is projected to exceed 45 percent of Medicare's total expenditures. The President's Budget proposes to build on this reform by requiring an automatic reduction in the rate of Medicare growth if the MMA threshold is exceeded. The reduction would begin as a four-tenths of a percent reduction to all payments to providers in the year the threshold is exceed, and would grow by four-tenths of a percent every year the shortfall continued to occur. This provision is designed to encourage the President and the Congress to reach agreement on reforms to slow Medicare spending and bring it back into line with the threshold established by the MMA.

In addition to this Medicare-specific control mechanism, the President's Budget proposed to establish a broader enforcement measure to analyze the long-term impact of legislation on the unfunded obligations of major entitlement programs and to make it more difficult to enact legislation that would expand the unfunded obligations of these programs over the long-run.

These measures would highlight proposed legislative changes that appear to cost little in the short-run but result in large increases in the spending burdens passed on to future generations.

First, the Administration proposes a point of order against legislation which worsens the long-term unfunded obligation of major entitlements. The specific programs covered would be those programs with long term actuarial projections, including Social Security, Medicare, Federal civilian and military retirement, veterans disability compensation, and Supplemental Security Income. Additional programs would be added once it becomes feasible to make long-term actuarial estimates for those programs.

Second, the Administration proposes new reporting requirements to highlight legislative actions worsening unfunded obligations. These requirements would require the Administration to report on any enacted legislation in the past year that worsens the unfunded obligations of the specified programs.

Budget Discipline for Agency Administrative Actions.—

Just as the Administration supports holding Congress to mandatory spending controls, it believes that its own actions should be done in a way that minimizes increases in Federal spending. In this spirit, on May 23, 2005, the Director of the Office of Management and Budget issued a memorandum to all Executive Branch agencies implementing a budget-neutrality requirement on agency administrative actions affecting mandatory-spending. Memorandum 05-13, *Budget Discipline for Agency Administrative Actions,* affirmed the Administration's overall commitment to spending discipline and clarified that spending discipline applies to administrative actions undertaken by Federal agencies.

Specifically, Memorandum 05-13 informed agencies that they must fully offset discretionary administrative actions in entitlement programs – including regulations, program guidance, and notices to States or contractors – that would raise mandatory Federal spending. Spending increases are measured against the most recent Budget or Mid-Session Review estimate of program spending.

Controlling Discretionary Spending

Discretionary Caps.—

The Administration proposes to set limits for 2006 through 2011 on net discretionary budget authority and outlays equal to the levels proposed in the 2007 Budget. Legislation that exceeds the discretionary caps would trigger a sequester of non-exempt discretionary programs. This approach would put in place a budget framework for the next five years that ensures constrained growth in discretionary programs. For 2006 through 2008, separate defense (Function 050) and non-defense categories would be enforced. For 2009-2011, there would be a single cap for all discretionary spending. In addition, a separate category for transportation outlays financed by dedicated revenues would be established for 2006 through 2009 at levels consistent with the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU).

Program Integrity Cap Adjustments.—

An improper payment occurs when Federal funds go to the wrong recipient, the recipient receives an incorrect amount of funds, or the recipient uses the funds in an improper manner. Approximately 86 percent of improper payments are overpayments. The Administration has made the elimination of improper payments a major focus. Federal agencies have aggressively reviewed Federal programs to evaluate the risk of improper payments and have developed measures to assess the extent of improper payments. Processes and internal control improvements have been initiated to enhance the accuracy and integrity of payments and to report the results of these efforts, pursuant to the Improper Payments Information Act of 2002 (P.L. 107-300).

The results of the agency assessment have been aggregated into a Government-wide report entitled *Improving the Accuracy and Integrity of Federal Payments*. (The full text of the report can be found at: *www.whitehouse.gov/omb/financial/fia_improper.html*.) In 2005, the agencies reported a total of $37.3 billion in improper payments. This represents a 3.43 percent improper payment rate. Nearly 80 percent of those improper payments are in four programs: Medicare, Earned Income Tax Credit, Old-Age, Survivors, and Disability Insurance, and Unemployment Insurance.

In the context of the Administration's efforts to eliminate improper payments, the Administration is proposing adjustments for spending above a base level of funding within the discretionary levels for several program integrity initiatives, specifically for continuing disability reviews (CDRs) in the Social Security Administration, Internal Revenue Service (IRS) tax enforcement, the Health Care Fraud and Abuse Control program (HCFAC) in the Centers for Medicare and Medicaid Services and Unemployment Insurance improper payments in the Department of Labor. These cap adjustments provide an effective way to ensure that limited resources are applied to activities that reduce error and generate program savings.

In the past decade, there have been a variety of successful efforts to ensure dedicated resources for program integrity efforts. These efforts include cap adjustment funding for Social Security continuing disability reviews and integrity efforts associated with the Earned Income Tax Credit (EITC). These initiatives have led to increased savings for the Social Security and Supplemental Security Income programs and an increase in enforcement efforts in EITC.

For example, the Social Security Administration reports that every $1 expended on CDRs has produced a $10 return to taxpayers. The Administration's proposed adjustments for program integrity activities will total $496 million in budget authority in 2007 and $643 million in budget authority in 2008.

Transportation Category.—

The Administration's proposal for discretionary caps includes separate outlay categories for spending on Federal Highway and Mass Transit programs that are consistent with the funding levels enacted in SAFETEA-LU. The transportation levels will be financed by dedicated revenues through 2009. The proposed caps take into account the revenue aligned budget authority (RABA) adjustment authorized in SAFETEA-LU. The RABA adjustment is calculated based on changes in estimated Highway Trust Fund receipts, and results in either an increase or decrease in the Highway Category funding level enacted in SAFETEA-LU. For 2007, the RABA adjustment is a positive $842 million.

Advance Appropriations.—

An advance appropriation becomes available one or more years beyond the year for which its appropriations act is passed. Budget authority is recorded in the year the funds become available and not in the year of enactment. Too often, advance appropriations have been used to expand spending levels by shifting budget authority from the budget year into the subsequent year and then appropriating the budget authority freed up under the budget year discretionary cap to other programs. The effect of these advance appropriations is to limit the amount of discretionary budget authority available in subsequent years, thereby reducing future funding options available to both the Congress and the President. From 1993 to 1998, an average of $2.3 billion in discretionary budget authority was advance appropriated each year. In 1999, advance appropriations totaled $8.9 billion and increased to $23.4 billion in 2000.

Because this budget practice distorts the debate over Government spending and misleads the public about spending levels in specific accounts, the President's budget proposals and the 2002 Congressional Budget Resolution capped advance appropriations at the amount advanced in the previous year. By capping advance appropriations, increases in these and other programs can be budgeted and reflected in the year of their enactment. For 2008, the Administration proposes a cap on advance appropriations of $23.7 billion, which includes the Department of Energy's FutureGen project and an already enacted advance appropriation for the Corporation for Public Broadcasting.

In addition, the Administration proposes to score the second year effect of appropriations language that delays obligations of mandatory budget authority as advance appropriations that count against the discretionary caps. Appropriations acts often include provisions that delay obligations of mandatory budget authority from one year to the next. The first year is appropriately scored as a discretionary savings because it is included in an appropriations act and it reduces spending in that year. However, this is usually a temporary delay, and the funds become available for spending in the second year. Under this proposal, the second year impact would be treated as an advance appropriation and scored against the discretionary caps. This would correct an inconsistency in the current practice where savings are scored in the first year, but the second year impact is reclassified in the subsequent budget as mandatory and not scored against the discretionary caps.

To enforce the level of advance appropriations, the discretionary cap proposal provides that total funding for advance appropriations (including obligation delays) provided in an appropriations act for 2008 that is in excess of the Administration's limit on advance appropriations of $23.7 billion in 2008 will count against the discretionary cap in the year enacted, not against the year the funds first become available.

Federal Pell Grants.—

The Pell Grant program provides grant aid to postsecondary students to help pay for their education. While Pell Grant funding is discretionary and provided through the annual appropriations process, if a Pell-eligible student enrolls in school, he or she is automatically eligible for a need-based award up to the maximum award set in appropriations, regardless of the budget authority appropriated.

In recent years, Pell Grant appropriations were insufficient to cover program costs, creating an estimated $4.3 billion funding shortfall through the 2005-2006 award year. Last year, the Administration worked with the Congress to retire this shortfall in 2006 and put the Pell Grant program back on firm financial footing.

To ensure funding shortfalls do not accumulate in the Pell Grant program in future years, the 2006 Congressional Budget Resolution adopted the Administration's proposal to score appropriations at the amount needed to fully fund the award level set in appropriations acts, beginning with the 2006-2007 school year, if the amount appropriated is insufficient to fully fund all awards. This amount is increased to cover any cumulative funding shortfalls from previous years and reduced by any surpluses carried over from previous years, beginning with the 2006-2007 school year. The Administration proposes to continue this scoring rule in 2007 and future years.

Project BioShield Category.—

The Administration proposes a separate Budget Enforcement Act category for budget authority for Project BioShield, which received an advance appropriation for 2005 of $2.5 billion and for 2009 of $2.2 billion in P.L. 108–90, the 2004 Department of Homeland Security Appropriations Act. Because the success of this program in providing for the development of vaccines and medications for biodefense depends on an assured funding availability, it is critical that this funding not be diverted to other purposes. The Administration's proposal to create a separate category will help ensure that funding for this program is not reduced and used as an offset for other discretionary spending.

Include Stricter Standard for Emergency Designation in the BEA

When the BEA was created, it provided a ''safety valve'' to ensure that the fiscal constraint envisioned by the BEA would not prevent the enactment of legislation to respond to unforeseen disasters and emergencies such as Operation Desert Storm, the terrorist attacks of September 11, 2001, or Hurricane Katrina. If the President and the Congress separately designated a spending or tax item as an emergency requirement, the BEA held these items harmless from its enforcement mechanisms. Initially, this safety valve was used judiciously, but in later years its application was expanded to circumvent the discretionary caps by declaring spending for ongoing programs as ''emergencies.''

The Administration proposes to include in the BEA a definition of ''emergency requirement'' that will ensure high standards are met before an event is deemed an ''emergency'' and therefore exempt. This definition should include the following elements: the requirement is a necessary expenditure that is sudden, urgent, unforeseen, and not permanent. These elements, all of which would be used for defining something as an emergency, are defined as follows:

- **necessary expenditure** – an essential or vital expenditure, not one that is merely useful or beneficial;

- **sudden** – quickly coming into being, not building up over time;
- **urgent** – pressing and compelling, requiring immediate action;
- **unforeseen** – not predictable or seen beforehand as a coming need (an emergency that is part of the average annual level of disaster assistance funding would not be ‘‘unforeseen’’); and
- **not permanent** – the need is temporary in nature.

This definition codifies the criteria for an emergency that have been the standard for a number of years. It is designed to preclude funds from being declared an emergency for events that occur on an annual or recurring basis. For example, even though it is not possible to predict the specific occurrence of fires, tornados, hurricanes, and other domestic disasters, it is reasonable to assume that a combination of domestic disasters will occur in any given year that require funding equal to a multi-year average for disaster relief. Funding at an average, therefore, should not be considered an emergency under this definition. On the other hand, an average level of funding for domestic disasters will not accommodate the level necessary to address a large and relatively infrequent domestic disaster, such as Hurricane Katrina. Under this definition for emergencies, spending for extraordinary events could be classified as emergency funding. In the end, classification of certain spending as an emergency depends on common sense judgment, made on a case-by-case basis, about whether the totality of facts and circumstances indicate a true emergency.

In addition, the Administration proposes that the definition of an emergency requirement also encompass contingency operations that are related to national security. Contingency operations that are related to national security include both defense operations and foreign assistance. Military operations and foreign aid with costs that are incurred regularly should be a part of base funding and, as such, are not covered under this definition.

The Administration proposal also would require that the President and Congress concur in designating an emergency for each spending proposal covered by a designation. This would protect against the ‘‘bundling’’ of non-emergency items with true emergency spending. If the President determines that specific proposed emergency designations do not meet this definition, he would not concur in the emergency designation and no discretionary cap adjustment or mandatory spending control exemption would apply.

Baseline

The Administration proposes several changes to Section 257 of the BEA, which establishes the requirements for the baseline:

- Assume extension of all expiring tax provisions in the Economic Growth and Tax Relief Reconciliation Act of 2001 and certain provisions in the Jobs and Growth Tax Relief Reconciliation Act of 2003. This proposal is consistent with the BEA baseline rules for expiring mandatory spending and for excise taxes dedicated to a trust fund. Except for a few relatively small mandatory programs, the BEA assumes that mandatory spending and excise taxes dedicated to a trust fund will be reauthorized and extends them in the baseline. The 2001 Act and 2003 Act provisions were not intended to be temporary, and not extending them in the baseline raises inappropriate procedural road blocks to extending them at current rates.

- Add a provision to exclude discretionary funding for emergencies from the baseline. Instead, the baseline would include emergency funding only for the year in which it was enacted. The current requirement is for the discretionary baseline estimates for the budget year and the outyears to assume the current year appropriated level, adjusted for inflation. This is reasonable for ongoing programs, where the need is expected to continue into the future. For emergencies, since the need should be for a short duration, the baseline rules build unnecessary funding into the baseline estimates for the years after the need has been addressed and passed. In effect, the current rule biases the baseline in favor of higher discretionary spending.

- Correct the overcompensation of baseline budgetary resources for pay raise-related costs due to the way in which these costs are inflated. The current requirement, which provides a full year's funding for pay raises in the budget year and beyond, was written when Federal pay raises were scheduled to take effect on October 1, at the start of each fiscal year. However, this requirement is now inappropriate because the effective date for pay raises is now permanently set by law as the first pay period in January. By treating pay raises that begin on January 1 as if they take effect for the entire fiscal year, the baseline overstates the cost of providing a constant level of services.

- Eliminate the adjustments for expiring housing contracts and social insurance administrative expenses. Most multi-year housing contracts have expired or have been addressed since the BEA was first enacted in 1990, so the adjustment is no longer needed. The adjustment for social insurance administrative expenses is also inconsistent with the baseline rules for other accounts that fund the costs of administration. These programs should not be singled out for preferential treatment.

Line-Item Veto

A perennial criticism of the Federal Government is that spending and tax legislation contain too many provisions benefiting a relative few which would likely not become law if considered as a stand-alone bill. The persistence of special interest items diverts resources from higher priority programs and erodes the confidence of citizens in Government. Appropriations bills, especially those considered at the end of the Congressional session, often attract special interest spending items that could not be enacted on their own.

The President proposes that the Congress correct this state of affairs by providing him and future Presidents with a line-item veto that would withstand constitutional challenge. From the Nation's founding, Presidents have exercised the authority to not spend appropriated sums. However, the

Congress sought to curtail this authority in 1974 through the Impoundment Control Act, which restricted the President's authority to decline to spend appropriated sums. Although the Line Item Veto Act of 1996 attempted to give the President the authority to cancel spending authority and special interest tax breaks, the U.S. Supreme Court found that law unconstitutional. The President's proposal would correct the constitutional flaw in the 1996 Act.

Specifically, the President proposes a line-item veto linked to deficit reduction. This proposal would give the President the authority to defer new spending whenever the President determines the spending is not an essential Government priority. All savings from the line-item veto would be used for deficit reduction, and they could not be applied to augment other spending.

Other Budget Reform Proposals

Joint Budget Resolution.—

A joint budget resolution would set the overall levels for discretionary spending, mandatory spending, receipts, and debt in a simple document that would have the force of law. Under the current process, the Congress annually adopts a ''concurrent resolution,'' which does not require the President's signature and does not have the force of law.

A joint budget resolution could be enforced by sequesters requiring automatic across-the-board cuts to offset any excess spending, similar to the BEA. It would bring the President into the process at an early stage, encourage the President and the Congress to reach agreement on overall fiscal policy before individual tax and spending bills are considered, and give the budget resolution the force of law.

Biennial Budgeting and Appropriations.—

Only once in the last 25 years have all appropriation bills been enacted by the beginning of the fiscal year. Because the Congress must enact these bills each year, it cannot devote the time necessary to provide oversight and fully address problems in Federal programs. The preoccupation with these annual appropriations bills frequently precludes review and action on authorization legislation and on the growing portion of the budget that is permanently funded under entitlement laws. According to the Congressional Budget Office, the Congress has appropriated about $159 billion for 2006 for programs and activities whose authorizations of appropriations have expired.

In contrast, a biennial budget would allow lawmakers to devote more time every other year to ensuring that taxpayers' money is spent wisely and efficiently. In addition, Government agencies would receive more stable funding, which would facilitate longer range planning and improved fiscal management. Under the President's proposal for a biennial budget, funding decisions would be made in odd-numbered years, with even numbered years devoted to authorizing legislation.

Government Shutdown Prevention.—

In the 24 out of the past 25 years in which the Congress has not finished appropriations bills by the October 1st deadline, it has funded the Government through ''continuing resolutions'' (CRs), which provide temporary funding authority for Government activities usually at current levels until the final appropriations bills are signed into law.

If the Congress does not pass a CR or the President does not sign it, the Federal Government must shut down. Important Government functions should not be held hostage simply because of an impasse over temporary funding bills. There should be a back-up plan to avoid the threat of a Government shutdown, although the expectation is that appropriations bills still would pass on time as the law requires. Under the Administraton's proposal, if an appropriations bill is not signed by October 1 of the new fiscal year, funding would be automatically provided at the lower of the President's Budget or the prior year's level.

Results and Sunset Commissions.—

The Federal Government's ability to serve the American people is often hampered by poorly designed programs or uncoordinated, overlapping programs trying to achieve the same objective. Today, almost 30 percent of assessed programs have been determined to be either ineffective or unable to demonstrate results. And the problem of overlapping programs exists in many areas where the Government is trying to serve.

From the 1930s through 1984, Presidents were permitted to submit plans for reorganizing Federal agencies to the Congress that would become effective unless the plan was disapproved by either House of Congress. After the Supreme Court decision in *INS v. Chadha* (462 U.S. 919), the authority granted to Presidents for submitting reorganization plans under the Reorganization Act (5 U.S.C. 903) was limited by the requirement of congressional approval through a joint resolution and by the scope of what could be proposed. This authority was no longer available to the President after 1984.

Today, proposals to restructure or consolidate programs or agencies so they can perform better require a change in law and often face long odds of being enacted due to a cumbersome process that requires approval from multiple congressional committees.

To address this problem, last year the Administration transmitted the Government Reorganization and Program Performance Improvement Act, proposed legislation that would establish bipartisan Results Commissions and a Sunset Commission. Results Commissions would consider and revise Administration proposals to restructure or consolidate programs or agencies to improve their performance. The Sunset Commission would consider Presidential proposals to retain, restructure, or terminate agencies and programs according to a schedule set by the Congress. Agencies and programs would automatically terminate according to the schedule unless reauthorized by the Congress.