111th Congress
1st Session

COMMITTEE PRINT

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CONCURRENT RESOLUTION ON THE BUDGET FY 2010

COMMITTEE PRINT TO ACCOMPANY
S. CON. RES. 13
together with
ADDITIONAL AND MINORITY VIEWS

COMMITTEE ON THE BUDGET UNITED STATES SENATE

Kent Conrad, *Chairman*

March 2009

Prepared for the use of the Committee on the Budget. This document has not been officially approved by the Committee and may not reflect the views of its members.

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CONCURRENT RESOLUTION ON THE BUDGET: FISCAL YEAR 2010

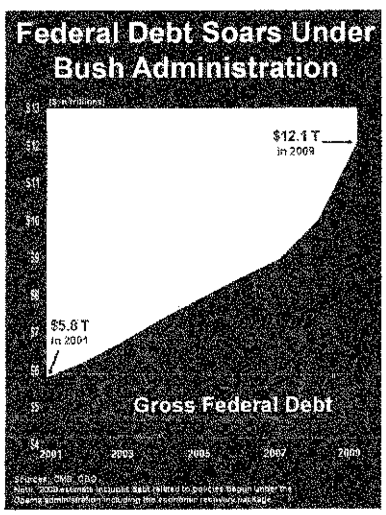
Note: All years are fiscal years unless otherwise noted.

1. OVERVIEW

The Senate Budget Committee-reported resolution for the Fiscal Year 2010 Congressional Budget is a fiscally responsible budget plan that addresses the fiscal and economic crises inherited by the Obama Administration and lays the foundation for long-term economic security. It preserves the major priorities in President Obama's budget proposal: reducing our dependence on foreign energy; striving for excellence in education; and reforming our health care system. It provides significant middle-class tax relief, directed at families with incomes under $250,000. And it cuts the deficit in half by 2012, and by two-thirds by 2014.

Inheriting Fiscal and Economic Crises

Unfortunately, President Obama and the Democratic Congress have been handed a colossal mess. We are now in the midst of the worst recession since the Great Depression. We face housing and financial market crises that have wiped out home values and weakened our credit markets. We have lost 3.3 million jobs in the last six months. And we have ongoing wars in Iraq and Afghanistan.



Spending nearly doubled under the prior administration and revenues have now fallen to the lowest level as a share of the economy since 1950. Not surprisingly, we have seen record deficits and a doubling of the national debt over the last eight years. Gross debt rose from $5.8 trillion in 2001 to an estimated $12.1 trillion in 2009. While that $6.3 trillion includes some debt resulting from the American Recovery and Reinvestment Act of 2009 (hereafter referred to as the economic recovery package), the additional debt load is directly a function of the collapsed economy – a collapse that occurred under the watch of President Bush.

Regrettably, the economic mess left for the Obama Administration is making the budgetary outlook even worse than originally believed. The Congressional Budget Office's re-estimate of the President's budget shows the 10-year deficits will be $2.3 trillion more than originally projected by the administration. The Committee-reported resolution responds to this worsening situation by making adjustments in the President's budget proposal, while maintaining the President's core priorities.

Restoring Economic Growth

President Obama and the Democratic Congress acted swiftly in February to adopt an economic recovery package to jumpstart the economy, create jobs, and begin laying the foundation for long-term economic growth. The package included investments in infrastructure, energy, health, and education. It provided tax cuts for 95 percent of working Americans. The package strengthened the economy by increasing food stamp and unemployment insurance benefits, which have a strong stimulative effect on the economy.

The Obama Administration has also presented plans to address both the housing and financial market crises, which are being coordinated with additional actions by the Federal Reserve and other agencies. As these plans take effect, we should begin to see a positive impact on our nation's economy.

Preserving Major Priorities in Obama Budget
The Committee-reported resolution includes President Obama's budget proposals that focus on areas that will lay the foundation for our nation's long-term economic security, including: reducing our dependence on foreign energy; striving for excellence in education; and reforming our health care system.

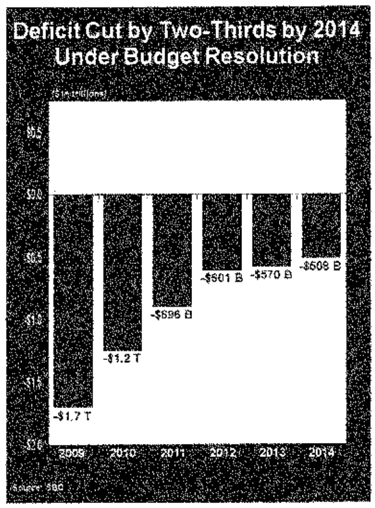
It has never been more clear that our nation's economic and national security are directly linked to our energy policy. We must address our dangerous addiction to foreign oil and confront the challenges of global climate change. In the process, we can create new "green collar" jobs that will help our nation's economic recovery. To meet these challenges, the Committee-reported resolution builds on the energy initiatives in the economic recovery package with continued investments in alternative and clean energy technology, energy efficiency, and modernization of our energy infrastructure.

The Committee-reported resolution also recognizes that education is crucial to our nation's future economic strength. For too long, we have been falling behind our competitors in educating our citizens. The Committee-reported resolution responds with investments in education and training programs that will help our economic growth and build a highly skilled workforce to compete in the global marketplace. Increasing access to higher education is central to this effort. This is why the Committee-reported resolution assumes a Pell grant level of $5,550 in 2010 and includes a deficit neutral reserve fund to allow for increases in Pell grants in line with those proposed in President Obama's budget. This will make college more affordable and thus more accessible for millions of Americans.

The Committee-reported resolution recognizes that reforming our nation's health care system is essential to ensuring our long-term fiscal stability and economic strength, in addition to the well-being of our citizenry. Soaring health care costs are the biggest source of the projected explosion in federal debt in our long-term budget outlook. Rapidly rising health costs make it harder for our businesses to compete globally, while putting a tremendous strain on family budgets. The Committee-reported resolution follows up on the health investments made in the economic recovery package, and includes, as requested by the President, a reserve fund to allow for a major health reform initiative. This deficit-neutral reserve fund is in keeping with President Obama's commitment to paying for the cost of health reform.

Returning to a Sound Fiscal Course
The Committee-reported resolution begins to return the nation to a sound fiscal course by cutting the deficit by more than half by 2012, and by two-thirds by 2014. The Congressional Budget Office (CBO) estimates the deficit will reach $1.67 trillion in 2009 (before assuming additional policies). The vast majority of that amount – about $1.3 trillion – represents the deficit handed to President Obama when he took office. Under the Committee-reported resolution, the deficit will be cut to -$601 billion in 2012 and to -$508 billion in 2014.

Spending as a share of GDP will decline significantly under the Committee-reported resolution, from 27.6 percent in 2009 to 22 percent in 2014. And the plan retains crucial budget enforcement provisions, such as a strong paygo rule and allowing reconciliation for deficit reduction only.



Providing Tax Relief for Middle Class
The Committee-reported resolution provides significant middle-class tax relief. In total, the Committee-reported resolution cuts taxes by $825 billion over the next five years. This tax relief includes: an extension of the 2001 and 2003 income tax cuts for those taxpayers making under $250,000 each year; AMT relief; estate tax reform; and business tax relief and extenders. The changes will help restore balance and fairness to the tax code.

The Committee-reported resolution also assumes the enactment of loophole closers and enforcement efforts to help close the tax gap, address the abuse of offshore tax havens, and shut down abusive tax shelters.

Supporting Our Troops and Accounting for War Costs
The Committee-reported resolution matches President Obama's core defense budget and the President's request for additional war costs. Unlike Bush administration budgets, which repeatedly left out or understated likely war costs, President Obama's budget includes a far more honest accounting of the likely costs of overseas contingency operations including the wars in Iraq and Afghanistan. The Committee-reported resolution follows this approach, which

will enhance oversight of war funds and save vital defense resources.

Addressing Long-Term Fiscal Challenge
The combination of our retiring baby boom generation, soaring health care costs, and an outdated and inefficient revenue system are projected to explode federal debt over the long-term. CBO's long-term debt outlook released in December 2007 showed that on our current course federal debt will rise to 400 percent of GDP by 2058. That is clearly unsustainable. The economic downturn over the last year has only worsened that long-term debt outlook.

As noted above, to begin addressing our soaring health care costs – the biggest source of the projected debt explosion – the Committee-reported resolution provides for a major health care reform initiative to be done on a deficit-neutral basis.

It will be critical for that effort to follow up on the health care investments made in the recently passed economic recovery package, such as funding for health information technology, prevention and wellness interventions, and comparative effectiveness research. Over time, these investments and other steps can help us to bend the cost curve on health care and put our health care accounts back on a sustainable course.

President Obama's Fiscal Responsibility Summit – which occurred within roughly the first month of his administration – initiated an open bipartisan dialogue on ways to address this long-term fiscal challenge. That dialogue will hopefully lead to a consensus on establishing a special bipartisan process to deal with these issues. No matter how successful we are in pulling out of the current economic downturn, our long-term economic security will remain in jeopardy until we address this projected long-term fiscal imbalance.

The Congressional Budget Resolution

The annual budget resolution allows Congress to express its collective judgment on the overall level of spending, revenue, deficit, and debt, and the priorities and values within those totals. Upon adoption by the House and Senate, the budget resolution serves as a blueprint that guides subsequent Congressional consideration of legislation.

Section 301 of the Congressional Budget Act of 1974 sets forth the requirements of the budget resolution. As a concurrent resolution – a special legislative vehicle that applies only to the operations of the House and Senate – a budget resolution is not presented to the President for signature and does not have the force of law. As such, it does not directly change spending, revenues, or debt levels, but does establish levels which are enforced by congressional points of order.

The Baseline

The baseline is a neutral benchmark of spending, revenues, deficits, and debt under current laws and policies, and is the starting point for developing the annual budget resolution.

The Budget Committee uses as its baseline the projections made by the Congressional Budget Office (CBO) in its January 2009 *The Budget and Economic Outlook: Fiscal Years 2009 to 2019*, as revised and updated in CBO's March 2009 *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook*. In preparing those projections, CBO followed the rules and guidelines contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act). The Committee expresses its continued support for adhering to the rules and guidelines contained in section 257.

For discretionary spending (which is controlled by annual appropriations acts), the baseline rules provide that projections assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2009), adjusted for inflation. These rules are the same for both emergency and nonemergency appropriations. For instance, the CBO March 2009 baseline projects throughout the baseline period the $65.9 billion in emergency funding already provided for ongoing military operations and related defense spending in 2009, but does not assume the President's request for $75.5 billion in additional supplemental funding in 2009 for ongoing overseas contingency operations. (Per agreement among the four sides of the Senate and House Budget Committees, CBO's March 2009 baseline does not project forward the $289 billion in discretionary funding appropriated in 2009 as part of the economic recovery package.)

For mandatory spending and revenues, which are usually governed by permanent law and do not require annual Congressional action, the baseline rules generally require that projections reflect current law. There are exceptions. In the case of mandatory spending, programs in place in 1997 with outlays of $50 million or more in the current year are assumed to continue throughout the baseline period even if they actually expire under current law. In the case of revenues, any excise tax dedicated to a trust fund is assumed to continue in the baseline even if it is scheduled to expire under current law. The Committee notes that the baseline and scoring rules combine to treat mandatory spending and revenues in a symmetrical and equivalent manner. Whether spending or revenue, the budget rules ensure consistency. That is, sunset dates are either *ignored* at both stages (scoring of legislation and baseline) or *recognized* at both stages.

Although section 257 of the Deficit Control Act expired on September 30, 2006, CBO continues to follow its guidelines and rules in constructing the baseline. The Committee expects CBO to continue this practice until Congress replaces or amends section 257.

2. SPENDING

The Committee-reported resolution strikes a careful balance on spending, providing an appropriate increase for national priorities in 2010 while reducing discretionary spending as a share of the economy over the course of the budget.

A. Discretionary

The Committee-reported resolution provides $1,080.9 billion in budget authority and $1,269.8 billion in outlays for discretionary programs in 2010. These totals exclude emergency and supplemental war funding. This is 2.8 percent over the level needed to keep pace with inflation. It is $15.0 billion less than the President's request. Over the five-year period, discretionary spending (including emergency and supplemental) will fall from 9.5 percent of GDP in 2010 to 7.3 percent in 2014.

The Committee-reported resolution enhances fiscal responsibility by establishing discretionary spending limits on budget authority and outlays for 2009 and 2010. For 2009, it imposes a cap of $1,391.5 billion in budget authority and $1,220.8 billion in outlays. For 2010, it imposes a cap of $1,079.1 billion in budget authority and $1,268.1 billion in outlays. For 2010, the Committee-reported resolution permits adjustments to this cap for certain program integrity efforts. These adjustments would bring funding, excluding emergency and war funding, up to the level assumed in the Committee-reported resolution (further discussion of cap adjustments is included in the "Budget Enforcement" section of this document).

Discretionary Spending
(budget authority)

($ billions)	2009*	2010 Pres.**	2010 Committee-reported resolution	Committee-reported resolution v. 2009		Committee-reported resolution v. President	
				$	%	$	%
Defense	535.8	556.1	556.1	20.4	3.8%	0.0	0.0%
Non-defense	490.4	539.8	524.8	34.3	7.0%	-15.0	-2.8%
Total	**1,026.2**	**1,095.9**	**1,080.9**	**54.7**	**5.3%**	**-15.0**	**-1.4%**

*The 2009 level is adjusted to reflect $4.1 billion in enacted emergency international affairs funding in recognition that these funds support ongoing efforts.

**For comparability purposes, President's requested level is adjusted to remove $54.3 billion in budget authority associated with President's proposal to score transportation obligation limitations as budget authority and to include $17.4 billion for Pell Grant funding.

Domestic Discretionary

The Committee-reported resolution provides $475.0 billion for overall domestic discretionary funding in 2010 (excluding emergencies and war costs).

Energy

Over the past year, the economic downturn has resulted in a significant decrease in energy prices in the United States. Lower energy prices have temporarily decreased the burden that gas and heating prices have placed on families, but our nation continues to face significant energy challenges. In 2008, we relied on imports for 57% of our oil, and petroleum imports still account for well over half of our trade deficit. As a result, we are becoming increasingly vulnerable to oil supply disruptions and instability in other parts of the world. At the same time, scientists have concluded that the evidence that global warming is occurring is clear and that, if current emissions trends continue, there will be a significant environmental impact. Unfortunately, the combination of declining energy prices and the credit crisis has contributed to a significant decline in private sector investment in alternative energy technology.

Our nation's economic and national security are directly linked to our energy policy. We must confront the challenges of global climate change and our nation's addiction to foreign oil. By doing so, we can also create the green jobs that will drive our nation's economic recovery. To meet these challenges, President Obama and the Congress have responded with a historic investment of resources in a strategy to reduce our dependence on imported energy.

The economic recovery package included $38.7 billion to fund important energy priorities such as modernizing the electric grid, renewable energy and transmission loan guarantees, local government energy efficiency and conservation grants, weatherization assistance, carbon capture and sequestration technology, energy efficiency and renewable energy research and development, and advanced battery development. When the emergency funding provided in the stimulus and other bills is included, overall funding for the Department of Energy climbed from approximately $24 billion in 2008 to $73 billion in 2009. This $73 billion 2009 funding level represents the largest budget in the history of the Department of Energy.

The Committee-reported resolution builds on the investments in the economic recovery package by fully funding the President's request for 2010 energy discretionary funding. The energy funding level in the Committee-reported resolution will provide increases for the Energy Efficiency and Renewable Energy program. These increases will accommodate investments in important priorities such as wind, solar, geothermal, biomass and biorefinery R&D, hydrogen, vehicle/ building technologies and the weatherization assistance program. The Committee-reported resolution supports increased funding for the Energy Efficiency and Conservation Block Grant Program. The Committee-reported resolution also includes increases to invest in the development of low carbon coal technologies such as carbon capture and sequestration. The Committee-reported resolution supports continued funding increases for the Department of Energy's loan guarantee program.

The Committee-reported resolution would increase funding for electricity delivery and energy reliability. The funding increase could be used to modernize the electric grid, enhance security and reliability of energy infrastructure, and facilitate recovery from disruptions to energy supply.

The Committee-reported resolution includes an energy reserve fund to accommodate legislation that advances important priorities such as reducing our Nation's dependence on imported energy, producing green jobs, promoting renewable energy development, improving electricity transmission, creating a clean energy investment fund, and encouraging conservation and efficiency. The legislation could also include energy tax proposals. This reserve fund could be used for legislation such as a proposal to extend the permissible term of power purchase agreements used by federal agencies to acquire renewable energy. It could also be used for a proposal to expand the economic recovery package's investments in transmission infrastructure and smart grid technology. Additionally, the reserve fund could accommodate a proposal to create a Clean Energy Investment Fund. That type of proposal could aid in the transition to a low-carbon economy by using financing tools such as direct loans and loan guarantees to invest in clean energy technologies.

LIHEAP
The Committee-reported resolution provides funding for the Low Income Home Energy Assistance Program consistent with the President's request. These funds for LIHEAP will help to continue providing heating and cooling assistance to over five million low-income households, including the working poor, disabled persons, elderly, and families with young children.

Environmental Protection and Water Infrastructure
The Committee-reported resolution fully funds the President's request for the Environmental Protection Agency (EPA). The Committee-reported resolution includes $3.9 billion for EPA's Clean Water and Drinking Water State Revolving Funds. The overall EPA funding level could accommodate significant increases for Superfund, the brownfields program and a variety of other EPA programs. The Committee-reported resolution would accommodate increases for water infrastructure priorities at the Army Corps of Engineers and the Bureau of Reclamation.

Bureau of Reclamation
The Committee-reported resolution recognizes the importance of the Bureau of Reclamation rural water program to support ongoing Municipal, Rural, and Industrial (MR&I) systems for the Great Plains Region. The Bureau of Reclamation supplies drinking water to 2.6 million people in the Great Plains region and is encouraged to prioritize the completion of the Pick Sloan-Missouri Basin Program--Garrison Diversion Unit, Mni Wiconi, Lewis and Clark, Perkins County, Fort Peck Reservation/Dry Prairie, and Rocky Boys/North Central rural water system projects. The Committee-reported resolution supports funding these vital rural water development projects at a level that is as close to $292 million as possible.

Everglades
The Committee-reported resolution includes increases for the Army Corps of Engineers and the Department of Interior which are sufficient to fully fund ongoing Everglades Restoration activities, including construction of authorized projects contained in the Comprehensive Everglades Restoration Plan and the Everglades National Park Expansion Act.

Oceans
The funding levels in the Committee-reported resolution allow for increases for the National Oceanic and Atmospheric Administration (NOAA). In addition, the Committee-reported resolution includes a reserve fund which would accommodate legislation to preserve or protect oceans or coastal areas.

Public Lands
The Committee-reported resolution assumes increases for the Department of the Interior and the Forest Service. The Committee-reported resolution also includes the President's proposal to increase funding for land acquisition programs. The Committee-reported resolution includes a reserve fund which could be used for legislation that preserves or protects public lands. This could include, but is not limited to, legislation that protects national parks, national monuments, wilderness areas, wild and scenic rivers, and national recreation areas.

Fire Suppression
The Committee-reported resolution fully funds wildfire suppression activities at the Forest Service and the Department of the Interior. The Committee-reported resolution commends the President for taking steps to budget for growing annual fire suppression costs. It provides the 10-year average for fire suppression costs and assumes that an additional $357 million will be provided if appropriated funds are exhausted and the severity of the fire season requires additional funding.

Great Lakes Restoration
The Committee-reported resolution recognizes the need to address significant and long-standing problems affecting the major large scale aquatic, estuarine, and coastal ecosystems nationwide. The Committee-reported resolution includes funding for a new inter-agency initiative to address such regional ecosystems. It assumes the President's request of $475 million to work with Great Lakes states, tribes, and local communities and organizations to address issues prioritized in the Great Lakes Regional Collaborative. This initiative could address issues such as invasive species, non-point source pollution, habitat restoration and contaminated sediment. The Committee-reported resolution also supports the President's proposal to use outcome-oriented performance goals and measures to target the most significant problems and track progress in addressing these ecosystems.

Education and Training
Building on the investments in education and training provided in the economic recovery package, the Committee-reported resolution fully funds the President's request for education and training programs over the five-year budget window.

Investments in these programs have sound economic benefits and the budget provides Americans a complete and competitive education from cradle to career. There is increasing evidence that investing in high quality early childhood education programs, such as Head Start, is a solid investment, yielding $10 in reduced social costs for every dollar invested. Despite these benefits, many preschool students do not have access to quality early education programs. The budget provides expanded resources to address this issue and invest in the long-term returns of early education.

Moreover, decreased federal funding for education has implications at the state and local level. When the federal government reduces its share of funding for the Individuals with Disabilities Education Act, state and local governments have to cut other programs to cover the decreasing share of special education.

The competitive educational advantage we used to enjoy, relative to other nations, has eroded significantly in recent years. Our global competitors spend less money per student, but have better educational outcomes; the U.S. economy cannot afford to have its students being out-performed. The Committee-reported resolution calls for a significant investment to build our human capital through programs targeting low-income students, such as Title I, and for innovative and effective strategies to reduce achievement gaps and improve student learning in grade schools, middle schools, and high schools.

Many low- and moderate-income high school graduates who are fully prepared to go to college do not because of financial barriers. Employers indicate that we are not producing enough trained workers with the skills for the modern workplace, particularly in high-growth sectors such as health care and green energy technologies. Increasingly, these sectors require some form of post-secondary education or job re-training.

The Committee-reported resolution proposes to reduce barriers to higher education by accommodating the President's student aid proposals, such as expanding Pell grants or providing education tax incentives.

The Committee-reported resolution recognizes that effective education and training programs are necessary to restart US economic growth and allow our citizens to compete in the global economy. It makes this effort a high priority.

National Service
The Committee-reported resolution provides the President's requested level for the Corporation for National and Community Service to encourage Americans to serve their community and country.

Veterans
President Obama's budget provides a significant increase in funding at the Department of Veterans Affairs (VA). The Bush Administration consistently underestimated the needs of veterans, and Congress made up the shortfall. President Obama's budget includes a 10% increase for the VA, and continues that commitment by increasing funding for the VA by $25 billion over the next five years. The Committee-reported resolution supports that increase and provides additional resources to the VA so that veterans' insurance need not be billed for service- connected VA care.

Once again, the Committee-reported resolution recognizes the deep debt our nation owes to those who have served in defending our country and continues to provide critical resources to ensure that they get the quality health care they deserve. The funding in the Committee-reported resolution will ensure that the Veterans Health Administration within the VA can provide the highest quality health care for all veterans.

In addition, the Committee-reported resolution understands that there is an urgent need for funding of Grants for State Veteran Cemeteries with the aging of the WWII generation. Unfortunately, funding levels have not kept up with need. Therefore, the Committee-reported resolution supports adequate funding that can address the costs of constructing new cemeteries as well as the needs of existing State Veteran Cemeteries.

Social Security Administration
The Committee-reported resolution assumes the President's full funding request of $11.6 billion for administrative expenses at the Social Security Administration (SSA). The Committee-reported resolution commends the Administration for proposing bold action to address the massive backlog of disability claims and hearings, as well as other backlog workloads, and to significantly expand program integrity efforts in the Social Security and Supplemental Security Income (SSI) programs. This funding will help to reduce unacceptable delays for disabled individuals in receiving benefits and to ensure that program dollars are spent wisely at a time when SSA is facing a significant increase in new claims for disability and retirement benefits during the recent economic downturn.

Community Health Centers
The Committee-reported resolution provides $2.9 billion for Federally Qualified Health Centers (FQHCs) in 2010. This is $798 million above the 2009 enacted level. These health centers are community-based providers of comprehensive primary and preventive health care that serve more than 16 million people, many of whom are uninsured or on Medicaid.

Rural Health
The Committee-reported resolution provides funding for Rural Health Activities in the Health Resources and Services Administration, such as Rural Health Outreach Grants, Rural Hospital Flexibility Grants and the Rural and Community Access to Emergency Devices program. These programs have helped to sustain the rural health care safety net.

Health Professions & National Health Service Corp
The Committee-reported resolution provides funding for the Health Professions program and the National Health Service Corps to increase the number of health professionals practicing in medically underserved areas.

National Institutes of Health
The economic recovery package included important investments for biomedical research at the National Institutes of Health (NIH). The Committee-reported resolution continues to support funding for NIH in 2010 including support for cancer research.

NASA
The Committee-reported resolution funds the National Aeronautics and Space Administration (NASA) at $18.7 billion. This level of funding recognizes the importance of our nation's space program and endorses the agency's balanced goals of exploration, science, and aeronautics. This level of funding also reflects the vital role our space program plays in driving scientific and technological advancements critical to our economy.

NASA currently intends to retire its Space Shuttles at the end of 2010, after completing the current manifest of flights plus an additional flight to transport scientific payloads to the International Space Station. The criteria for Shuttle retirement, however, remains the completion of scheduled flights, and a fixed retirement date could create dangerous scheduling pressures. Consequently, the Committee-reported resolution recognizes the possibility that currently planned Shuttle missions may continue beyond the end of 2010, and provides $2.5 billion above the President's request for 2011.

It remains the policy of the United States to possess the capability for human access to space on a continuous basis and to launch the follow-on Crew Exploration Vehicle (CEV) as close to 2010 as possible. NASA currently projects that the CEV will not be operational before 2015, leaving a five-year gap in U.S. human space flight capability. During that gap the United States will need to purchase space flight services from Russia, costing in excess of $500 million. The Committee-reported resolution recognizes the strategic importance of uninterrupted access to space and supports efforts to reduce or eliminate this five-year gap in U.S. human space flight.

Infrastructure
This year's economic recovery package made investments in American infrastructure not seen since the 1950's. The funding of "ready-to-go" projects throughout the country will create badly needed jobs. Those projects are already being implemented and will help sustain the recovery. The investment in these projects will not only repair roads and bridges, but it will create jobs, improve economic growth, and start the process of reversing the Bush Administration's underfunding of infrastructure.

The Committee-reported resolution recognizes that continued funding of significant long-term infrastructure projects is also needed to continue the progress that began with enactment of the economic recovery package and includes a reserve fund for infrastructure investment in areas including, but not limited to, energy, water and public housing. The Committee-reported resolution also realizes that surface transportation programs are at a crossroads. The growing costs of repairing highways and bridges are outpacing revenue dedicated to the programs for that purpose. One of the primary methods of financing surface transportation investments – the highway account of the Highway Trust Fund – required an $8 billion infusion from the General Fund in 2008.

Recognizing that surface transportation programs will be reauthorized this year, the infrastructure reserve fund would also be available for surface transportation, and anticipates future investments will be paid for and the solvency of the Highway Trust Fund will be maintained for the length of the surface transportation authorization. The Committee-reported resolution understands that the surface transportation reauthorization will augment current investments, and provides funding levels for highways, transit, and safety programs which will be adjusted when a reauthorization bill is reported. The Committee-reported resolution does not adopt the administration's proposed change to scoring of contract authority.

In addition, the infrastructure reserve fund would be available for deficit-neutral legislation authorizing multimodal transportation projects, an important element of future transportation investments. Such projects should be defined by a set of performance measures that seek to increase economic growth, efficiency and public safety, provide cost savings, and reduce transportation related fatalities, traffic congestion, greenhouse gas emissions and energy fuel consumption. In addition, these projects should require a cost benefit analysis be conducted to ensure accountability and provide flexibility for states, cities and localities to create strategies that meet the needs of their community.

<u>High Speed Rail</u>
As part of the recognition that investments in infrastructure are important to economic growth, the Committee-reported resolution continues the unprecedented commitment to high speed rail made in the economic recovery package by providing $1 billion for high speed rail in 2010.

<u>Financial Fraud</u>
The failure or near failure of so many financial institutions has caused enormous damage to the national and global economy, wiped out savings for millions of investors, and required an unprecedented level of support by the taxpayer through government rescue plans. This unprecedented level of apparent corporate malfeasance will require a sustained level of attention by regulators and law enforcement officials to uncover and address wrongdoing administratively, through civil law, and, where warranted, through criminal prosecution. The Committee-reported resolution includes sufficient resources for federal agencies charged with these responsibilities to carry out their investigatory and prosecutorial duties.

<u>Community Development</u>
The Committee-reported resolution recognizes the importance of providing investments in our communities. This is especially important now as communities struggle to help their citizens cope with the negative side effects of the economic downturn. The Committee-reported resolution includes increased funding for the Community Development Block Grant (CDBG), the largest source of federal grant assistance in support of state and local government housing and community development efforts.

<u>Housing</u>
The Committee-reported resolution applauds the Administration's plan to provide coordinated assistance to homeowners through "Making Home Affordable," but recognizes that further

assistance may be necessary in 2010. The Committee-reported resolution includes a deficit-neutral reserve fund that would allow for additional investments in housing assistance.

The Committee-reported resolution continues to support funding for the Public Housing Capital Fund, Hope VI Distressed Housing Program, Housing for the Disabled, Housing for the Elderly, and the Section 8 tenant-based Housing Choice Voucher program and the project-based Section 8 program.

Native American Programs

The United States has a trust responsibility for the provision of public safety and care to Indian people. The Native American population is facing a public safety and health care crisis. In response, the Committee-reported resolution supports funding for public safety, health care and water priorities benefitting American Indians and Alaska natives. Additionally, the Committee-reported resolution supports funding for Indian education, including at tribal colleges.

Small Business

The Committee-reported resolution recognizes the critical role small businesses play in job creation, and seeks to build upon the important small business investments contained in the recently enacted economic recovery package. That package raised the maximum guarantee on loans in the Small Business Administration's largest program to 90%, eliminated costly fees for borrowers and lenders, and included a series of tax cuts for small businesses and tax incentives to encourage investment in small businesses. In addition, as part of the President's Financial Stability Plan, the Treasury Department will begin purchasing up to $15 billion of Small Business Administration (SBA) loans. To continue the hard work began under these two programs and to continue our commitment to a strong small business sector, the Committee-reported resolution provides $880 million for SBA.

Manufacturing

The Committee-reported resolution acknowledges the need to help American manufacturers and businesses remain competitive in the global marketplace by adopting advanced manufacturing technologies. Therefore, the Committee-reported resolution adopts the Administration's budget level for the Manufacturing Extension Program (MEP), which is authorized in the America COMPETES Act and dedicated to ensuring American small- and medium-sized manufacturers create jobs in the U.S.

Consolidation in the U.S. manufacturing sector poses unique challenges to communities hit hardest by the closing of manufacturing facilities. Therefore, the Committee-reported resolution supports increased funding for Economic Development Administration grants to local governments to revitalize closed manufacturing plants. In addition, a deficit-neutral reserve fund is provided to support legislation that would further aid local communities in redeveloping closed manufacturing plants and the retraining of manufacturing workers for advanced technology jobs.

Law Enforcement Assistance

The Committee-reported resolution recognizes the important role the partnership between federal, state, and local law enforcement entities plays in maintaining safe communities. For example, the Community Oriented Policing Service (COPS) grant program provides funding that is critical in many urban and rural areas in maintaining police presence, carrying out criminal investigations, and in training and equipping law enforcement officers. This and other support for local law enforcement remain a priority.

Emergency Preparedness
The Committee-reported resolution acknowledges the importance of first responder and emergency management performance grants. Funding from these grants plays an integral role in the national effort to prevent, prepare for, and respond to acts of terrorism and natural disasters. In particular, the Committee-reported resolution recognizes the special needs of high density urban areas by supporting funding for additional Urban Search and Rescue Task Force teams. In addition, the Committee-reported resolution supports continuing efforts by the Federal Emergency Management Agency (FEMA) to build a stronger and more capable agency.

Pay Parity
The Committee-reported resolution assumes that rates of compensation for civilian employees of the United States should be adjusted at the same time, and in the same proportion, as are rates of compensation for members of the uniformed services.

Defense Discretionary and War Costs
The Committee-reported resolution fully funds the President's core defense budget request over the five-year budget window. Total national defense discretionary funding in the Committee-reported resolution is $556.1 billion. This includes $533.7 billion in 2010 for the Department of Defense, $20.3 billion more than the 2009 enacted level (exclusive of war funding and defense spending in the economic recovery package). Defense budgets have now grown in inflation adjusted terms every year since 1998 (excluding supplementals).

The Committee-reported resolution includes a reserve fund to facilitate enactment of the President's proposal to expand "concurrent receipt" of military retired pay and veterans disability compensation to retirees who were medically retired from active service. While full programmatic details will be provided later, the administration has indicated that the budget funds the expansion of the Army and Marine Corps in order to enhance military readiness and reduce the strain of multiple, extended deployments on current servicemembers. Additionally, the President's request includes funding to modernize military barracks and dormitories, and to improve medical care and housing for wounded servicemembers. The Committee-reported resolution supports these objectives.

The Committee-reported resolution reflects the President's request for additional 2009 war funding of $82.6 billion – $75.5 billion for the Defense Department and $7.1 billion in international affairs funding. If enacted, this will bring total war funding for 2009 to $152.6 billion. Under President Bush, the total cost of the wars reached $864 billion. (Consistent with CBO's re-estimate of the President's request, the Committee-reported resolution shows $7.3 billion in 2009 budget authority – but no outlays – to account for the pending request to implement the International Monetary Fund quota increase negotiated by the previous administration.)

The Committee-reported resolution also provides for the 2010 war request of $130 billion. The Chairman commends the Obama Administration for its commitment to budgetary transparency when it comes to funding for overseas contingency operations. The Bush Administration failed to honor its commitment to include war costs in its budget request and obscured the fiscal situation by seeking war funding as an emergency even after five years of war in Iraq. The Obama Administration, on the other hand, has provided a good faith estimate of war costs for 2010 and an annual allowance of $50 billion for potential future costs of overseas contingency operations from 2011 onward.

In keeping with how the past two budget resolutions have handled war costs, the Committee-reported resolution includes a $130 billion cap adjustment provision for 2010 that allows the

Chairman to revise the discretionary spending cap for non-emergency appropriations related to overseas contingency operations such as the wars in Iraq and Afghanistan. The Committee-reported resolution assumes the use of this cap adjustment. However, the cap adjustment would not prevent further war funding on an emergency basis if war costs exceed the allotted level.

The National Guard has a long history of outstanding service to our nation, and our nation's reliance on the Guard has only increased since September 11, 2001. The Committee-reported resolution encourages the Appropriations Committee to identify additional resources within the defense budget to address needs for National Guard equipment.

The Committee-reported resolution also assumes no less than $5.55 billion in funding for the Defense Environmental Cleanup account. The environmental management program is charged with efficiently cleaning up the environmental damage resulting from 50 years of nuclear weapons production. The Committee-reported resolution provides for increased funding at several major sites addressed under this program including Hanford, Idaho Falls, Oak Ridge, and Savannah River. This increase brings total environmental management funding for nuclear site cleanup (including amounts in other budget functions) to $6.5 billion.

The Committee-reported resolution recognizes the serious inequity in how the military death benefits system treats widows and orphans whom our servicemembers and veterans leave behind. The Committee-reported resolution provides a deficit-neutral reserve fund to facilitate the repeal of the law that requires a dollar-for-dollar reduction in Department of Defense Survivor Benefit Plan (SBP) annuity benefit payments by benefits received under the Department of Veterans Affairs Dependency and Indemnity Compensation (DIC) program. Repeal of the offset would allow the widows and orphans whom our servicemembers and veterans leave behind to receive the full SBP amount due to them. Congress recognized the injustice of the SBP-DIC offset in the National Defense Authorization Act for Fiscal Year 2008 when it authorized a special payment to SBP-DIC-affected survivors, but this payment is far below the full amount that is offset.

The ability of the United States military to project power worldwide depends on the aerial refueling tanker fleet. The backbone of this fleet is the KC-135, which is rapidly approaching its 50th year in service. Further postponement of the tanker re-capitalization program will have an adverse effect on our ability to achieve the requirements of the National Military Strategy. Accordingly, the Committee-reported resolution assumes that the Air Force will receive not less than $2.37 billion in 2010, and not less than $13 billion across the Future Years Defense Plan to fund the development and procurement of a next generation aerial refueling tanker.

<u>Savings from Defense Acquisition and Contracting Reform Reserved for Deficit Reduction</u>
Defense funding remains at record levels, even after adjusting for inflation. The Department of Defense has had serious trouble with cost growth in its weapons acquisition programs. The Government Accountability Office has found that the total acquisition cost of the Pentagon's 2007 portfolio of major programs has exceeded initial estimates by nearly $300 billion.

The Obama Administration has announced that it will make reform of the acquisition process a top priority in order to get the best possible value for defense spending. The Committee-reported resolution supports that reform effort by including a reserve fund for defense contracting reform. Additionally, the Committee-reported resolution assumes not less than $500 million for the Acquisition Workforce Development Fund, which is already showing great promise as a mechanism for enhancing the capability of the Department of Defense to oversee acquisition programs and get better value for our defense dollar. While the Committee-reported resolution does not project savings from acquisition reform or the contracting reform initiatives announced by the President, successful implementation of those initiatives could result in significant savings in future years that should be reserved for deficit reduction.

International Affairs
The President's request for international affairs activities, as re-estimated by CBO, is $53.8 billion. This represents an increase of $15.6 billion above the non-emergency 2009 level.

The size of the year-over-year increase requested by the President's budget is somewhat misleading, as the President seeks to transfer international affairs funding in support of overseas contingency operations and programs with predictable and recurring funding requirements that have previously been funded in supplementals to the base budget. This more transparent budgeting is commendable.

Typically, the baseline used for year-over-year comparisons in the Congressional budget resolution excludes all supplementals and emergency funding. Therefore, the President's decision to reduce or eliminate emergency requests for international affairs in 2010 artificially inflates the year-over-year increase. A more realistic comparison, including enacted bridge funding in the 2009 level, shows a year-over-year increase of $11.5 billion for the President's request.

In light of the large increases provided for international affairs funding over the past several years and the nation's fiscal situation, the Committee-reported resolution assumes a somewhat slower rate of growth in this area. The Committee-reported resolution assumes $49.8 billion in budget authority for 2010, an increase of $7.5 billion over the 2009 level adjusted for a more realistic comparison.

The Committee-reported resolution assumes that the top priorities in allocating the increase for international affairs will be related to core national security concerns such as counter-proliferation and anti-terrorism, as well as enhancing the capacity of the State Department and USAID to assume responsibilities that have been taken on by the military.

B. Mandatory

On the mandatory spending side, the Committee-reported resolution follows the paygo, or pay-as-you-go, principle – with any new spending done in a deficit-neutral manner.

Health Reform Legislation
The President and the Committee-reported resolution believe that we have an obligation to tackle fiscally-responsible comprehensive health care reform this year. To that end, the Committee-reported resolution includes a deficit-neutral reserve fund to facilitate legislation that transforms and modernizes our health care system and achieves the common goals of constraining costs, expanding access, and improving quality. Reflecting the eight principles for health reform outlined in the President's budget, the reserve fund provides maximum flexibility to the authorizing Committees to determine the appropriate level of spending and the offsets required to pay for these investments.

In recognition that some upfront investments may be necessary and that delivery system reforms or potential revenue changes may not reap immediate savings, the reserve fund provides flexibility to allow such legislation to be fully offset only over the period of 2009 to 2019 and provides that such legislation be fiscally sustainable over the long-term.

The number of uninsured Americans is expected to grow from 48 million today to 54 million in just 10 years. At the same time, excess cost growth in health care spending is harming our global competitiveness, hurting the pocketbooks of American families, and threatening the economic security/fiscal integrity of the federal and state governments. It is critically important that both cost and coverage be addressed simultaneously if we are to bend the health care cost curve successfully.

Our nation's long-term fiscal gap is driven in large part by excess growth in health care spending. Reforming our overall health care system is the key to addressing our spending challenges in our health entitlement programs – Medicare and Medicaid. The President's budget offered constructive proposals that would achieve savings by driving delivery system and provider payment reforms in Medicare and Medicaid. Specifically, the President's budget proposes steps to realign provider payment incentives away from volume and toward quality, to promote efficiency and greater accountability across provider and plan settings, and to encourage shared responsibility. The reserve fund in the Committee-reported resolution allows for the consideration of these and other proposals that will bend the cost curve in health care, put our federal health programs on a fiscally sustainable path, and make health care affordable for families, businesses and federal, state and local governments. It would also allow for the consideration of comprehensive health reform legislation that addresses the systemic inequities of Medicare reimbursement that lead to access problems in rural areas (such as access to primary care physicians, hospitals, and home health services), oral health, and long-term services and supports.

Medicare/Kidney Care

The Committee-reported resolution recognizes, while kidney care provided to Medicare beneficiaries continues to improve, significant patient access gaps remain. Within the funding provided, the Committee-reported resolution urges that sufficient funding be provided for facility survey and certification activities, including initial survey and certification activities for dialysis facilities, to eliminate facility backlogs and improve patient access to care. The Committee-reported resolution notes that user fees and the dual-use of state funded licensure activities are budget-neutral policy options which provide additional resources for initial survey and certification activities.

Climate Change Legislation

The Committee-reported resolution believes that we have an obligation to current and future generations to take meaningful action to reduce greenhouse gas emissions. The Committee-reported resolution includes a reserve fund to accommodate legislation that would invest in clean energy technology initiatives, decrease greenhouse gas emissions, or help families, workers, communities, and businesses make the transition to a clean energy economy.

The Committee-reported resolution includes no specific assumptions regarding the policy details of such a proposal. The details of the proposal will be left to the committees of jurisdiction and the legislative process.

If climate change legislation brings new revenues into the Treasury, the Committee-reported resolution would support the President's proposal to invest $15 billion per year in a variety of clean energy technology initiatives. These initiatives would accelerate the widespread deployment of energy efficient technologies, increase our reliance on clean and renewable energy sources, and move America forward on the path to energy security.

Education and Training
The President has challenged our students to commit to at least one year of post-secondary study and proposes to expand Pell grants. To help achieve this goal, the Committee-reported resolution provides a deficit-neutral reserve fund for higher education. This will make college more affordable and enable students and families to meet the challenge of preparing America to compete in the 21st century marketplace.

Agriculture Programs
During Committee consideration, an amendment was adopted assuming $70 million in savings per year in crop insurance over the next five years. The amendment dedicated $175 million for child nutrition and $175 million for deficit reduction. Besides these changes, the Committee-reported resolution leaves all other nutrition, conservation, renewable energy, and farm safety net improvements included in the 2008 Farm Bill unchanged.

Given our current fiscal situation, the Committee-reported resolution recognizes that all areas of the federal budget need to be examined for savings. Even though the 2008 Farm Bill received over 80 votes in the Senate and was fully paid for, the Committee-reported resolution would support targeted savings in agriculture, including the President's proposal for market access, and some savings in the Environmental Quality Incentives Program and the federal crop insurance program.

Power Marketing Administration Receipts
The Committee supports the reclassification of receipts for the annual operating expenses of Southeastern, Southwestern, and Western Area Power Administrations (PMAs). By reclassifying the receipts from mandatory to discretionary, power rates will become more closely linked to the annual appropriations they fund. This direct link will promote long-term planning and improve the overall efficiency and reliability of the Federal power program.

Children's Spending
The Committee notes that federal efforts to safeguard and improve the lives of children are housed in many disparate departments and agencies. An analysis of these programs would afford a better understanding of how our children's needs are being met. The Committee encourages the Office of Management and Budget to consult with relevant Congressional Committees to assess how best to track this spending and its effect on the well-being of children.

3. REVENUES

The Committee-reported resolution provides $825 billion of tax relief over the next five years targeted largely on the middle class. At the same time, the Committee-reported resolution seeks to restore fairness to the tax code and close loopholes to shore up the revenue base. In 2009, revenues are projected to fall to 15.4 percent of GDP, their lowest level since 1950. While more revenue will flow into the Treasury as the economy recovers, one of our largest challenges will be to raise enough revenue to meet the nation's urgent needs, encourage economic growth, and put the budget on a more sustainable long-term fiscal path.

Tax reform is badly needed because the type of tax system our 21st Century economy needs cannot be achieved by adjusting the contours of our outdated system. Instead, we need to address the fundamental flaws in the tax code. Only through tax reform can we ensure the nation has a sustainable revenue base, that our tax system is both simpler and fairer than the current code, and that it will help make American businesses more competitive. The Committee-reported resolution supports moving towards fundamental tax reform as quickly as possible.

Revenue Changes in Committee-reported resolution
($ in billions)

($ billions)	2010-2014
Middle-Class Tax Relief	-601
AMT reform	-216
Estate tax reform	-72
Business provisions, extenders	-69
Subtotal, tax relief	-958
Loophole closers, other raisers	133
Total Tax Cuts	**-825**

Tax Relief for the Middle Class

The Committee-reported resolution provides substantial tax relief for the middle class. The middle class experienced few of the benefits of economic growth in recent years; indeed, the median income of working households fell in adjusted terms by nearly $2,000 between 2000 and 2007. And of course that situation has further worsened during the current recession.

To address these concerns, Congress provided temporary tax relief that benefitted 95 percent of working Americans in the economic recovery package. All of this tax relief, as well as provisions enacted in 2001, will expire in 2010 without further action by Congress.

Consistent with the President's budget, the Committee-reported resolution includes the following tax relief provisions that target the middle class:

- *10 percent bracket, Child Tax Credit, marriage penalty relief* – The Committee-reported resolution would make permanent these three provisions, which were the core middle-class provisions enacted in 2001. The Committee-reported resolution also assumes that the related expansions of the Child Tax Credit and the Earned Income Tax Credit included in the economic recovery package are extended.
- *Education tax incentives* – The Committee-reported resolution would make the American Opportunity Tax Credit permanent. Enacted as part of the economic recovery package, it provides a $2,500 credit for higher education, with a portion of the benefit available through a refundable credit. The Committee-reported resolution also assumes permanent extension of a variety of education-related tax incentives enacted in 2001, including those dealing with education savings accounts and the deduction of student loan interest.
- *Savings incentives* – The Committee-reported resolution would expand the existing "savers credit," making it more accessible to lower-income working families. The Committee-reported resolution also reflects a new policy to require employers that do not offer 401(k)s to offer automatic enrollment in IRAs.

The Committee-reported resolution follows the President's proposals to extend other 2001 and 2003 tax changes for couples with incomes under $250,000 and singles with incomes under $200,000, including the 25 percent and 28 percent brackets and the preferential rates for capital gains and dividend income.

AMT Relief

The Committee-reported resolution assumes three years of Alternative Minimum Tax relief, through 2012, without offsets.

The President's budget calls for permanent AMT relief without offsets, but the cost of this proposal makes it unaffordable given the long-term budget outlook. The Committee-reported resolution provides this temporary extension to ensure that the cost of AMT relief does not have to be offset while the economy is in recession as well as to create an incentive for tax reform.

Estate Tax Reform

The Committee-reported resolution assumes permanent reform of the estate tax to create more certainty in estate planning for families and small businesses. The Committee-reported resolution reflects continuation of the 2009 estate tax parameters, with an exemption of $3.5 million ($7 million for a couple) indexed to inflation and a top rate of 45 percent.

Extenders

The Committee-reported resolution would extend through 2011 those tax provisions that are slated to expire in 2009 or 2010, but that have been routinely extended in the past. These provisions (referred to as "extenders") include, among others, the research and experimentation tax credit, the deduction for state and local sales taxes, the deduction for teacher classroom expenses, and the exception for active financing income.

Business Provisions
The Committee-reported resolution calls for small business tax relief. It assumes the permanent extension of the section 179 expensing provision for small businesses. In addition, it includes a new proposal to eliminate capital gains taxes for small businesses, going beyond the current 75 percent exclusion. Finally, the Committee-reported resolution calls for expanding the net operating loss carryback rules.

Tax Relief and Tax Reform Reserve Funds
Within the reserve fund to promote economic stabilization and growth, the Committee-reported resolution includes two reserve funds for tax relief and tax reform. The first is specifically designed to accommodate any tax relief, including the extension of expiring provisions and refundable tax credits – some of which were first provided in the economic recovery package – as long as the cost of this tax relief is offset. The second reserve fund would provide for comprehensive tax reform that would ensure a sustainable revenue base in a tax system that promotes simplicity, fairness, and competitiveness.

Loophole Closers and Other Revenue Raisers
The Committee-reported resolution assumes enactment of loophole closers and other revenue-raising provisions consistent with levels in the President's budget. The Committee-reported resolution assumes that the Finance Committee will work closely with the Administration to develop the proposals to achieve the revenue levels assumed in the resolution.

Overall, the Administration should be applauded for efforts to close the tax gap. The IRS estimated that the tax gap totaled $345 billion in 2001. In the years since, the total has surely grown larger. Moreover, this figure does not include the revenue that is lost each year as a result of the billions of dollars hidden in offshore tax havens and shelters. The previous administration blocked efforts to address the tax gap. Yet failure to address this problem only means that honest taxpayers face a higher burden.

4. LONG-TERM FISCAL CHALLENGES

As the retirement of the baby boom generation accelerates, our nation faces a significant long-term imbalance between revenues and spending. While the Committee-reported resolution achieves the important near-term goal of cutting the deficit in half by 2012 and by two-thirds by 2014, this represents only a first step in the difficult path of restoring our long-term fiscal security.

As many budget and economic experts have warned, beyond the current budget window, things worsen considerably. Excessive growth in health care spending, combined with the aging of the population, will put substantial additional pressure on the budget over the long-term. A substantial reduction in spending growth and a more sustainable revenue path will be necessary to maintain the nation's long-term fiscal stability and economic security.

President Obama has stated his commitment to working with Congress in a bipartisan manner to address our long-term fiscal imbalances. By hosting a Fiscal Responsibility Summit on February 23rd, the President demonstrated the leadership that will be needed to tackle the long-term fiscal imbalance confronting our nation. As President Obama noted at the Summit:

> *"While we are making important progress towards fiscal responsibility this year, in this budget, this is just the beginning. In the coming years, we'll be forced to make more tough choices, and do much more to address our long-term challenges."*

The Summit was an important first step towards addressing these challenges.

In the Summit's Budget Process Reform breakout group, there was general consensus among key stakeholders and Congressional leaders that the current process is not conducive to producing comprehensive, transformative results and that a special process will be required. Addressing our nation's long-term fiscal challenges in a comprehensive, lasting manner will require a bipartisan process that brings together members of Congress and administration officials to make balanced changes to both spending and revenues – and that ensures these changes will be considered and voted on in a manner that guarantees a bipartisan outcome.

On February 11th, Treasury Secretary Timothy Geithner testified before the Senate Budget Committee and echoed the need for a new approach to addressing our long-term fiscal challenges:

> *". . . [I]t is going to require a different approach if we're going to solve [the long-term fiscal imbalance] . . . It's going to require a fundamental change in approach, because I don't see realistically how we're going to get there through the existing mechanisms."*

The Chairman and Ranking Member of the Senate Budget Committee have proposed the creation of a task force that represents one such model for carrying out a bipartisan approach. The Chairman will continue to engage with the President and Congressional Leaders in the House and Senate to find common ground on an approach for addressing these challenges comprehensively.

In the interim, the Committee-reported resolution takes important steps to encourage health care reform and important program integrity measures as a way of beginning to address our long-term fiscal challenges.

Deficit-Neutral Reserve Fund to Transform and Modernize America's Health Care System
In 2009, the U.S. is expected to spend 17.6 percent of its GDP on health care. Within 10 years, health care spending is expected to reach 20.3 percent of our nation's GDP. By 2050, CBO projects that national health expenditures will reach 37 percent of GDP.

There is widespread agreement that Americans are not getting good value for the money we are already spending on health care. According to work by the Dartmouth Atlas Project, nearly 30 percent of total spending in our health care system is wasteful and does nothing to improve health outcomes.

Indeed, the U.S. spends twice as much as other OECD nations on health care, yet Americans have shorter average life expectancies and higher average mortality rates than residents of other OECD countries. OECD data show that the U.S. has one of the highest rates of medical errors among industrialized nations and that U.S. patients are more likely to receive duplicate tests and more likely to visit an emergency room for a condition that could have been treated in a regular office visit than most other nations in the comparison. Similarly, a 2008 Commonwealth Fund report found that the U.S. is last among 19 industrialized nations in preventable mortality, or deaths that could have been prevented if individuals had access to timely and effective care.

The challenge of the U.S. health care system is to address the twin problems of coverage and cost in a fiscally-responsible manner. According to CBO, the average number of nonelderly uninsured will rise from 48 million in 2009 to 54 million in 2019. However, efforts to provide near universal coverage without initiatives to control costs will make coverage expansion financially unsustainable to households, employers, and federal and state governments in the long run.

The President's budget laid down a strong marker for transforming and modernizing our health care system in a fiscally-responsible manner that achieves the common goals of constraining costs, expanding access, and improving quality. Importantly, the President's budget commits to addressing comprehensive health reform on a deficit-neutral basis. The President has made clear that he wants to work with Congress in a bipartisan way moving forward to meet the eight principles for health reform that he has identified in his budget.

The Committee-reported resolution reflects the President's commitment to a comprehensive and fiscally-responsible approach to health reform. It includes a deficit-neutral reserve fund for legislation that transforms and modernizes our health care system. The reserve fund provides flexibility to the authorizing committees to determine the level of spending and the mix of offsets that may be required to pay for these investments. In recognition that some upfront investments may be necessary and that delivery system reforms or potential revenue changes may not reap immediate savings, the reserve fund contemplates health reform paid for over 11 years.

This reserve fund provides a critically important opportunity to address excess cost growth in our health care entitlement programs. This excess cost growth is the largest spending factor driving our long-term fiscal imbalance and it is crucial that we take steps to control costs in these entitlement programs. Today, Medicare and Medicaid account for 4.9 percent of our GDP and are expected to consume 12 percent of our GDP by 2050.

President Obama recently noted in a speech before the Business Roundtable on March 12th:

> *"Medicare costs are consuming our federal budget. Medicaid is overwhelming our state budgets. At the fiscal summit we held in the White House a few weeks ago, the one*

> *thing on which everyone agreed was that the greatest threat to America's fiscal health is not the investments we've made to rescue our economy. It's the skyrocketing cost of our health care system."*

At a Senate Budget Committee hearing in January, former CBO Director and former OMB Director Alice Rivlin issued a similar warning:

> *"If policies are not changed, Medicare and Medicaid . . . will drive federal spending up considerably faster than the rate at which the economy is likely to grow. Unless Americans consent to tax burdens that rise as fast as spending, a widening gap will open up. We will not be able to finance these continuously growing deficits.*
>
> *Vigorous efforts should also be made to make Medicare more cost effective and slow the rate of growth of Medicare spending, which contributes so much to projected deficits. While restraining health spending growth should be a major feature of comprehensive health reform, Medicare is an ideal place to start the effort. Medicare is the largest payer for health services and should play a leadership role in collecting information on the ... effectiveness of alternative treatments and ways of delivering services, and designing reimbursement incentives to reward effectiveness and discourage waste."*

The President's budget offered constructive proposals for consideration that would help to address excessive cost growth in Medicare and Medicaid. This reserve fund allows for the consideration of these and other proposals as part of health reform that could bend the cost curve by:

- encouraging provider payment reforms that drive efficiency and quality, by encouraging collaboration across different providers and health care settings and rewarding positive health outcomes rather than service volume;
- making infrastructure investments, such as health IT, electronic health records and comparative effectiveness research, that can drive evidence-based medicine and build a rapidly-learning health care system; and
- investing in the health care workforce in ways that refocus care on patient-centered primary care and prevention and wellness.

Program Integrity
In an effort to achieve savings over the long term, reduce fraud, and encourage government efficiency, the Committee-reported resolution includes funding for important program integrity initiatives in programs, such as Medicare, Medicaid, unemployment insurance, and Social Security.

In addition to supporting ongoing efforts at the Social Security Administration, the Committee-reported resolution, for example, provides for a discretionary cap adjustment of $485 million to fund the processing of additional Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations. CDRs save approximately $11 for every $1 spent, and redeterminations save approximately $7 for every $1 spent. In addition to being "good government" initiatives, the additional short-term funding will result in long-term savings.

The Committee-reported resolution also supports enhanced Internal Revenue Service (IRS) tax enforcement to address the tax gap. The Committee-reported resolution fully funds the President's budget request for the IRS and includes the President's request for additional resources for IRS enforcement. By including a discretionary cap adjustment of $890 million, the budget resolution would direct approximately $8 billion to IRS enforcement activities. A similar cap adjustment was included in the 2009 budget resolution.

5. RESERVE FUNDS AND BUDGET PROCESS

Title II. Deficit-Neutral Reserve Funds

The Committee-reported resolution includes a number of reserve funds that will allow the Chairman to revise committee allocations, budgetary aggregates, limits, and other levels in the resolution for deficit-neutral legislation to address the following priorities.

Sec. 201. TRANSFORM AND MODERNIZE AMERICA'S HEALTH CARE SYSTEM.

(a) Transform and Modernize America's Health Care System. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of health reform legislation that expand affordable coverage, improve health care quality and health outcomes, and constrain costs, provided that such legislation is deficit-neutral over the total of fiscal years 2009-2019, reduces excess cost growth in health care spending, and is fiscally-sustainable over the long-term. The reserve fund reflects the eight principles for health reform outlined in the President's budget and provides maximum flexibility to the authorizing Committees to determine the appropriate level of spending and the offsets that may be required to pay for these investments.

(b) Other Revisions. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation in the following areas, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019:

(1) **Physician Payments** - legislation that increases the reimbursement rate for physician services under Medicare Part B.

(2) **Physician Training** - legislation to encourage physicians to train in primary care residencies and ensure an adequate supply of residents and physicians.

(3) **Medicare Outpatient Therapy** - legislation to improve the Medicare program for beneficiaries and protect access to outpatient therapy services (including physical therapy, occupational therapy, and speech-language pathology services) while protecting beneficiaries from associated premium increases.

Sec. 202. INVEST IN CLEAN ENERGY AND PRESERVE THE ENVIRONMENT.

(a) Investing in Clean Energy and Preserving the Environment. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation to reduce our Nation's dependence on imported energy, produce green jobs, promote renewable energy development, create a clean energy investment fund, improve electricity transmission, encourage conservation and efficiency, make improvements to the Low-Income Home Energy Assistance program, implement water settlements, or preserve or protect public lands, oceans or coastal areas, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019. The legislation could include tax proposals.

(b) Climate Change Legislation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would invest in clean energy technology initiatives, decrease greenhouse gas emissions, or help families, workers, communities and businesses make the transition to a clean energy economy, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 203. HIGHER EDUCATION. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would make higher education more accessible or more affordable, which may include legislation to expand and strengthen student aid, such as Pell grants, or increase college enrollment and completion rates for low income students, or provide tax incentives, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 204. CHILD NUTRITION AND WIC. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reauthorize child nutrition programs and/or the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 205. INVESTMENTS IN AMERICA'S INFRASTRUCTURE.

(a) Infrastructure. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would provide a sustained robust federal investment in infrastructure, which may include public housing, energy, water, or other infrastructure projects, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(b) Surface Transportation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would provide new budget authority for surface transportation programs to the extent such new budget authority is offset by an increase in receipts to the Highway Trust Fund (excluding transfers from the general fund of the Treasury into the Highway Trust Fund not offset by a similar increase in receipts), provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(c) Multimodal Transportation Projects. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would authorize multimodal transportation projects that –

(1) provide a set of performance measures;

(2) require a cost-benefit analysis be conducted to ensure accountability and overall project goals are met; and

(3) provide flexibility for States, cities, and localities to create strategies that meet the needs of their communities;

– provided the legislation is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 206. PROMOTE ECONOMIC STABILIZATION AND GROWTH.

(a) Manufacturing. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would revitalize and strengthen the United States domestic manufacturing sector by increasing Federal research and development, by expanding the scope and effectiveness of manufacturing programs across the Federal Government, by increasing efforts to train and retrain manufacturing workers, by enhancing workers' technical skills in the use of the new advanced manufacturing technologies to produce competitive energy efficient products, by increasing support for the redevelopment of closed manufacturing plants, by increasing support for development of alternative fuels and leap-ahead automotive and energy technologies such as advanced batteries, or by establishing tax incentives to encourage the continued production in the United States of advanced technologies and the infrastructure to support such technologies, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(b) Tax Relief. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would provide tax relief, including but not limited to extensions of expiring and expired tax relief or refundable tax relief provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(c) Tax Reform. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reform the Internal Revenue Code to ensure a sustainable revenue base that would lead to a fairer and more efficient tax system and to a more competitive business environment for United States enterprises, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(d) Flood Insurance Reform. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would provide for flood insurance reform and modernization, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(e) Trade. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation related to trade, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(f) Housing Assistance. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation related to housing assistance, which may include low income rental assistance and assistance provided through the Housing Trust Fund created under section 1131 of the Housing and Economic Recovery Act of 2008, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(g) Unemployment Mitigation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reduce the unemployment rate or provide assistance to the unemployed, particularly in the states and localities with the highest rates of unemployment, or improve the implementation of the unemployment compensation program, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 207. AMERICA'S VETERANS AND WOUNDED SERVICEMEMBERS. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would expand the number of disabled military retirees who receive both disability compensation and retired pay, accelerate the date by which eligible retirees under section 1414 of title 10, United States Code, will fully receive both veterans' disability compensation and retired pay, eliminate the offset between Survivor Benefit Plan annuities and Veterans' Dependency and Indemnity Compensation, or expand veteran's benefits (including enhancing programs and activities to increase the availability of health care and other veterans services for veterans living in rural areas), provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 208. JUDICIAL PAY AND JUDGESHIPS AND POSTAL RETIREE ASSISTANCE.

(a) Judicial Pay and Judgeships. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that authorizes salary adjustments for justices and judges of the United States or increases the number of federal judgeships, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(b) Postal Retirees. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation relating to funding adjustments for United States Postal Service retiree health coverage, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 209. DEFENSE ACQUISITION AND CONTRACTING REFORM. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would authorize multimodal transportation projects that –

(1) enhance the capability of the acquisition or contracting workforce in any Federal department to achieve better value for taxpayers;

(2) reduce the use of no-bid and cost-plus contracts; or

(3) reform Department of Defense processes for acquiring weapons systems in order to reduce costs, improve cost and schedule estimation, enhance developmental testing of weapons, or increase the rigor of reveiws of programs that experience critical cost growth;

– provided the legislation is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 210. INVESTMENTS IN OUR NATION'S COUNTIES AND SCHOOLS. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reauthorize the Secure Rural Schools and Community Self Determination Act of 2000 (Public Law 106–393), make changes to the Payments in Lieu of Taxes Act of 1976 (Public Law 94–565), or both, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 211. THE FOOD AND DRUG ADMINISTRATION.

(a) Regulation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would authorize the Food and Drug Administration to regulate products and assess user fees on manufacturers and importers of those products to cover the cost of the Food and Drug Administration's regulatory activities, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

(b) Drug Importation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would permit the safe importation of prescription drugs approved by the Food and Drug Administration from a specified list of countries, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 212. BIPARTISAN CONGRESSIONAL SUNSET COMMISSION. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that –

(1) provide for a bipartisan congressional sunset commission that will review Federal programs, focusing on unauthorized and nonperforming programs;

(2) provide for a process that will help abolish obsolete and duplicative Federal programs;

(3) provide for improved government accountability and greater openness in government decision-making; and

(4) provide for a process that ensures that Congress will consider the commission's reports and recommendations;

– provided the legislation is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 213. IMPROVE DOMESTIC FUELS SECURITY. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would achieve domestic fuels security by authorizing the Department of Defense to procure alternative fuels from domestic sources under contracts for up to 20 years, provided that procurement is consistent with section 526 of the Energy Independence and Security Act of 2007 (Public Law 110-140), provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 214. **COMPREHENSIVE INVESTIGATION INTO THE CURRENT FINANCIAL CRISIS.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that provide resources for a comprehensive investigation to determine the cause of the current financial crisis, hold those responsible accountable, and provide recommendations to prevent another financial crisis of this magnitude from occurring again, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

Sec. 215. **INCREASED TRANSPARENCY AT THE FEDERAL RESERVE.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that increase transparency at the Federal Reserve System, including audits of the Board of Governors of the Federal Reserve System and the Federal reserve banks and increased public disclosure with respect to the recipients of all loans and other financial assistance it has provided since March 24, 2008, provided it is deficit-neutral over the total of fiscal years 2009-2014 and 2009-2019.

NOTE: All years are fiscal years unless otherwise noted.

Title III. Budget Process

While budget procedures are no substitute for a bipartisan commitment to fiscal discipline, there are a number of budget enforcement provisions that can help to put us back on a sound fiscal path.

The 2008 and 2009 budget resolutions included many important enforcement provisions which remain in effect. These include:

2008 Budget Resolution (S. Con. Res. 21)

- **The Senate pay-as-you-go point of order** (Sec. 201);
- **The 60-vote point of order against reconciliation increasing the deficit** (Sec 202); and
- **Continued 60-vote enforcement of budgetary points of order in the Senate** (Sec. 205).

2009 Budget Resolution (S. Con. Res. 70)

- **The 60-vote point of order against legislation increasing long-term deficits** (Sec. 311); and
- **The 60-vote point of order against provisions of appropriations legislation that constitute changes in mandatory programs** (Sec. 314).

The Committee-reported resolution continues the strong budget enforcement practices of the last two budget resolutions with these modifications.

SUBTITLE A – BUDGET ENFORCEMENT

Sec. 301. Discretionary Spending Caps.
The Committee-reported resolution would strengthen fiscal responsibility by establishing discretionary spending limits for 2009 and 2010, and enforcing them with a point of order in the Senate that could only be waived with 60 votes. For 2009, it provides a cap of $1,391.5 billion in budget authority and $1,220.8 billion in outlays. For 2010, it sets a cap of $1,079.1 billion in budget authority and $1,268.1 billion in outlays. As in past years, the Committee-reported resolution permits adjustments to the discretionary spending limits in 2010 for program integrity initiatives, such as Social Security Administration continuing disability reviews (CDRs) and Supplemental Security Income redeterminations, enhanced Internal Revenue Service tax enforcement to address the tax gap, appropriations for Health Care Fraud and Abuse Control (HCFAC) program at the Department of Health and Human Services, and unemployment insurance improper payments reviews at the Department of Labor. It also provides for adjustments in 2010 for expenses related to the wars in Iraq and Afghanistan.

The Committee-reported resolution also includes a program integrity cap adjustment dedicated to reducing waste in defense contracting by recovering overpayments to defense contractors, reducing wasteful spending that undermines our ability to purchase equipment needed for U.S. troops and combating fraud. It allows the Chairman of the Budget Committee to increase the discretionary spending cap by up to $100 million to accommodate legislation appropriating funding for the Department of Defense for additional activities to reduce waste, fraud, abuse and overpayments in defense contracting or to enhance the capability of the defense acquisition or contracting workforce to save taxpayer resources.

The Committee-reported resolution permits the Chairman to adjust the discretionary spending limits, budget aggregates, and allocations, if the CBO re-estimates the President's 2010 request for discretionary spending at an aggregate level different from the CBO preliminary estimate dated March 20, 2009.

Sec. 302. Advance Appropriations.
As in past years, the Committee-reported resolution provides a supermajority point of order in the Senate against appropriations in 2010 bills that would first become effective in any year after 2010, and against appropriations in 2011 bills that would first become effective in any year after 2011. It does not apply against appropriations for the Corporation for Public Broadcasting, nor does it apply against changes in mandatory programs or deferrals of mandatory budget authority from one year to the next. There is an exemption for each of 2010 and 2011 of up to $28.852 billion (the same level as provided for in the 2009 Budget Resolution) for the following:

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS IN THE SENATE

Labor, HHS:
- Employment and Training Administration
- Job Corps
- Education for the Disadvantaged
- School Improvement
- Children and Family Services (Head Start)
- Special Education
- Career, Technical, and Adult Education

Financial Services and General Government: Payment to Postal Service
Transportation, Housing and Urban Development: Tenant-based Rental Assistance
Project-based Rental Assistance

Sec. 303. Emergency Legislation.
The Committee-reported resolution makes technical changes in the emergency legislation designation to provide consistent treatment for emergency legislation with respect to enforcement of various points of order and revisions pursuant to deficit-neutral reserve funds.

Sec. 304. Point of Order Against Legislation Increasing Short-term Deficit.
The Committee-reported resolution updates the expiration date in the point of order against legislation that increases the short-term deficit.

Sec. 305 Point of order Against Appropriations Legislation that Includes Provisions Affecting the Crime Victims Fund.
The Committee-reported resolution includes a new 60-vote point of order that applies to appropriations legislation containing one or more provisions that constitute a change in a mandatory program that affects the Crime Victims Fund, section 1402 of the Victims of Crime Act of 1984 (42 U.S.C. 10601).

SUBTITLE B – OTHER PROVISIONS

Sec. 311. Oversight of Government Performance.
The Committee-reported resolution continues the provision instructing Committees of the Senate to review programs within their jurisdiction to root out waste, fraud, and abuse in program spending, giving particular scrutiny to issues raised by Government Accountability Office reports, and include recommendations for improved governmental performance in their annual views and estimates reports required under section 301(d) of the Congressional Budget Act of 1974 to the Committees on the Budget.

Sec. 312. Budgetary Treatment of Certain Discretionary Administrative Expenses.
The Committee-reported resolution continues the provision requiring that all budget resolutions include the Administrative Expenses of the Social Security Administration and of the Postal Service in the 302(a) allocations of the Appropriations Committee.

Sec. 313. Application and Effect of Changes in Allocations and Aggregates.
The Committee-reported resolution details the adjustment procedures required to accommodate legislation provided for in this resolution, and requires adjustments made to be printed in the Congressional Record. For purposes of enforcement, the levels resulting from adjustments made pursuant to this resolution will have the same effect as if adopted in the levels of Title I of this resolution. The Committee on the Budget determines the budgetary levels and estimates required to enforce budgetary points of order, including those pursuant to this resolution and the Congressional Budget Act of 1974.

Sec. 314. Adjustments to Reflect Changes in Concepts and Definitions.
The Committee-reported resolution allows the Chairman of the Committee on the Budget to adjust levels in this resolution upon the enactment of legislation that changes concepts or definitions.

Secs. 315 and 316. Debt Disclosure.
These sections reflect an amendment adopted in the Committee regarding the levels of debt assumed in the budget resolution and to require budget resolutions to contain a debt disclosure section.

Sec. 317. Exercise of Rulemaking Powers.
This section of the Committee-reported resolution recognizes that the provisions of this resolution are adopted pursuant to the rulemaking power of the Senate, and also recognizes the Constitutional right of the Senate to change those rules as they apply to the Senate.

6. ECONOMICS

Committee-reported resolution Based on CBO's Economic Assumptions
The Committee-reported resolution is built on CBO's assumptions about the future path of the U.S. economy. In March, CBO updated its economic outlook to include its reassessment of the near-term outlook in light of recent economic indicators, as well as the economic recovery package signed into law by the President in February. CBO now expects that the U.S. recession will end in the second half of this year with economic activity beginning to recover next year and continue rising toward its trend pace in subsequent years. However, as CBO notes, the economic environment is extraordinarily unsettled at the moment, both here and abroad, and that subjects all economic forecasts to more than the usual amount of uncertainty.

CBO's economic assumptions
CBO expects that real (inflation-adjusted) GDP will decline by 3.0 percent in 2009, before a recovery takes hold in 2010 which will lift growth to 2.9 percent in 2010 and 4.0 percent in 2011. The unemployment rate is likely to continue rising through this year before peaking at 9.0 percent in 2010 (on average for the year) and declining toward its trend level thereafter. Consistent with its forecast pattern of recession and recovery in production and unemployment, CBO expects inflation in the consumer price index (CPI) to decline 0.7 percent this year before rising toward its trend pace in subsequent years. Interest rates are also expected to reflect the cyclical pattern, remaining very low this year and next, before rising steadily to their long-term projected levels thereafter.

CBO's baseline now includes the fiscal stimulus enacted in February. The economic recovery package will work to boost economic activity over the near term. CBO has calculated a range of potential effects of stimulus. CBO estimates that the economic recovery package would raise the level of employment by between 1.2 and 3.6 million jobs by the end of next year, relative to what would have prevailed in the absence of the stimulus.

Comparison with other forecasts
CBO assumes a somewhat larger contraction in economic activity this year than do most of the private-sector forecasters surveyed for the Blue Chip consensus, but a stronger recovery beginning next year (see table). Reflecting those differences in growth assumptions, CBO expects the unemployment rate to be higher than the Blue Chip consensus this year, only slightly lower than the Blue Chip next year, and lower yet in 2011. CBO has lowered its near-term forecast for inflation to be consistent with the unusually rapid runup in the unemployment rate since mid-2008 which leaves expected unemployment higher this year. As a result, CBO's forecast for inflation in the consumer price index (CPI) is now consistently below the average of the Blue Chip forecasts beginning in 2011. Reflecting its assumption for high unemployment and subdued inflation, CBO's near-term forecasts for interest rates are generally lower than those of most of the Blue Chip forecasters.

CBO's forecast for real growth is substantially lower than the Administration's this year, slightly lower next year, and the same in 2011. CBO expects the unemployment rate to be well above the Administration's forecast through the near term which, in turn, implies lower expected inflation and interest rates.

One way of summarizing the potential net impacts of those various cyclical forecasts on near-term budget revenues is to compare forecasts for the level of nominal GDP in 2010. CBO expects nominal GDP to average $14,576 billion next year – that is 2.2 percent below the Administration's forecast. CBO's forecast is $71 billion (0.5 percent) higher than the typical (median) Blue Chip forecast for nominal GDP in 2010 ($14,505 billion) and well inside the range of Blue Chip forecasts.

For the longer term (2016-2019), CBO assumes that the economy sustains growth at an average annual rate of 2.3 percent, a pace that CBO estimates to be consistent with a stable CPI inflation rate of 1.9 percent per year. Both the Administration and the Blue Chip forecasters project a higher 2.6 percent annual growth rate for real GDP and higher inflation as well.

Forecast uncertainty

While forecasts of the level of economic activity are always uncertain, the level of uncertainty grows significantly during periods of economic volatility, and that near-term uncertainty inevitably compounds over the longer term.

CBO made this point in a November 2007 report on its own economic forecasting record. The agency stated: *"Inaccuracies in a forecast increase when the economy is more volatile and when economic trends change. All three groups of forecasters – CBO, the Blue Chip, and the Administration – made relatively large errors when forecasting for periods that included turning points in the business cycle ..."*

We are facing such a period of volatility right now. However, in addition to the heightened uncertainty due to the economic downturn, economic forecasts are currently subject to an extraordinary degree of downside risk. For example, by assuming some degree of recovery from the recession in 2010, most private-sector forecasters (as well as the Administration and CBO) are necessarily assuming that financial market conditions will stabilize to some degree by early next year. If financial markets are not significantly stabilized by then, the recovery may be delayed.

In addition, the global economic environment is currently more precarious than at any time in the postwar period. Leading forecasters of global economic activity, such as the IMF, OECD, and the World Bank have dramatically downgraded their near-term forecasts of world growth over the past year. Last November, for example, the IMF expected world economic growth to average 2.2 percent in 2009. By contrast, the IMF now expects that global output will contract by one-half to one percent this year, which would be the worst performance since the end of World War II.

The global environment is particularly fluid with economic activity in Western Europe and Japan contracting sharply, and with even more significant deteriorations in Central and Eastern Europe. Whether those trends continue depends critically on the scale and scope of countercyclical policies, particularly in Western Europe. The economic and financial crises overseas have a direct effect on the U.S. economy (inhibiting demand for U.S. exports) and banking system. As a result, the risks of greater-than-expected deterioration overseas further widen the uncertainty attending the near-term U.S. outlook.

In its reestimate of President Obama's budget, released on March 20, CBO noted the higher-than-normal degree of uncertainty of its current forecast. The agency stated: *"CBO's current forecast, particularly for the near term, is subject to a greater than normal degree of uncertainty. ... Both the magnitude of the contractionary forces operating in the economy and the magnitude of the government's actions to stabilize the financial system and stimulate economic growth are outside the range of recent experience."*

Economic Uncertainty Affects Long-Term Projections

As part of its effort to increase transparency, the Obama administration returned to the practice of presenting a 10-year budget this year. However, there is a great deal of uncertainty in the economic forecast right now. The Committee-reported resolution, therefore, follows the more common practice – and the statutory requirement – of presenting a five-year budget plan.

The reality is we simply don't know how long the current downturn will last and how severe it will be. And the uncertainty surrounding our near-term economic projections makes long-term projections even more uncertain than they normally are.

In using a five-year window, the Committee-reported resolution is following the more common framework for Congressional budget resolutions. In fact, in the 34 years since the Congressional budget process was started, the Senate has only had four budget resolutions covering 10 years. And since 2003, all budget resolutions have been five-year resolutions.

It is also important to note that although the Committee-reported resolution covers five years the enforcement rules of the resolution cover a 10-year period. For example, the paygo rule requires that legislation be fully offset over six and 11 years, even though those last five years are not projected out in the budget resolution.

Returning to Fiscal Responsibility: The Current Crisis and Beyond

The extraordinary uncertainty over the ultimate duration and depth of the current U.S. downturn complicates both monetary and fiscal policy over the near term. The legacy of fiscal irresponsibility left behind by the Bush administration further complicates fiscal policy for the Obama Administration and the new Congress.

Against this current backdrop of uncertainty, history has provided some clear lessons for the role of fiscal policy during crises and their aftermaths. The Committee-reported resolution responds to the challenge of reversing eight years of fiscal irresponsibility. Over the near term, fiscal responsibility demands that the government take strong and effective steps to offset the adverse effects of the economic downturn and the crises in financial and housing markets. Over the longer term, fiscal responsibility demands a return to fiscal discipline that will be necessary to support sustained growth in living standards for all Americans. Along with fiscal discipline, the composition of the federal budget must be shifted toward productivity-enhancing initiatives that would further enhance growth in living standards.

The Bush legacy of fiscal irresponsibility. In 2001, the Bush administration inherited a record budget surplus, the hard-won result of fiscal discipline achieved over the previous decade. By the time President Bush left office, the structural budget had swung from surplus to unrelenting deficits. The staggering rise in the debt largely reflected years of deficit-financed war spending and tax cuts for the wealthiest Americans.

The Bush administration and its fiscal profligacy left their mark on national investment and savings. In 2000, net U.S. investment was 8.7 percent of GDP, with more than two-thirds of that investment financed by domestic savings and the remainder by foreign borrowing. That profile was similar to the U.S. average over the 1950-2000 period. However, the U.S. saving-investment balance shifted adversely under Bush Administration policies. Net U.S. investment dropped to only 6.3 percent of GDP in 2007. Moreover, that investment was financed far more heavily by foreign borrowing, which accounted for more than 80 percent of net domestic investment in 2007. The foreign financing of growth in domestic investment contributes little to growth in domestic living standards.

The Bush administration's legacy of deficits and debt were not particularly effective in promoting economic growth. Moreover, they depleted federal balances that might otherwise have been used to offset the effects of the current economic downturn and the crises in financial and housing markets.

Fiscal responsibility during times of crisis

The history of financial crises has yielded a number of stylized facts that provide guidance for fiscal policy in the current crisis. Among the most robust of those stylized facts are: (1) financial crises tend to make the concurrent economic downturns both longer and deeper than recessions that occur without extraordinary financial stress; and (2) during financial crises and their immediate aftermath, nations experience substantial increases in their national debt. Importantly, such increases in public debt during and following financial crises are all but inevitable. That is to say, the public debt will tend to rise when nations choose to offset the economic effects of the financial crisis with fiscal policy; alternatively, if nations choose to not offset those economic effects, the public debt rises because the economic downswing is both deeper and longer than it would otherwise have been, and government revenues diminish substantially.

It would be fiscally irresponsible for the federal government to not step in to help stabilize the economy and financial markets. So far this year, under the leadership of the Obama Administration, the Congress has already enacted a substantial stimulus package as well as a variety of initiatives to mitigate mortgage foreclosures and help stem the declines in home prices.

Fiscal responsibility during stable times

By lowering the deficit, the Committee-reported resolution will reduce the federal government's drag on national saving, and will thereby open opportunities for households and businesses to finance productive investments that otherwise might not be made. Ultimately, reducing the deficit will also stem the explosive rise in federal borrowing that has substantially raised U.S. indebtedness to foreign lenders in recent years.

Even as the nation moves toward fiscal discipline, the composition of the federal budget must also change so that it is more supportive to long-term growth than it has been during the Bush era. The Committee-reported resolution will aid the economy over the longer-term by increasing the effectiveness of the provision of health care and ensuring that more Americans will have access to quality health care. Additionally, the Committee-reported resolution provides for important investments in energy, education, and infrastructure. Over the long term, such investment would work to improve U.S. productivity and living standards.

Comparison of Economic Assumptions

	2009	2010	2011	Annual Average 2012 to 2015	Annual Average 2016 to 2019
Percent change, calendar year over calendar year					
Nominal GDP					
President's Budget	0.1	4.3	5.5	5.4	4.4
CBO	-1.5	3.8	4.5	4.5	3.9
Blue Chip Survey	-1.4	3.2	5.1	5.2	4.9
Real GDP					
President's Budget	-1.2	3.2	4.0	3.6	2.6
CBO	-3.0	2.9	4.0	3.6	2.3
Blue Chip Survey	-2.6	1.9	3.4	3.0	2.6
GDP Price Index					
President's Budget	1.2	1.1	1.5	1.8	1.8
CBO	1.5	0.8	0.5	0.9	1.6
Blue Chip Survey	1.2	1.2	1.7	2.2	2.3
Consumer Price Index (CPI-U)					
President's Budget	-0.6	1.6	1.8	2.1	2.1
CBO	-0.7	1.4	1.2	1.2	1.9
Blue Chip Survey	-0.8	1.5	2.1	2.4	2.5
Percent, calendar year average					
Unemployment Rate					
President's Budget	8.1	7.9	7.1	5.3	5.0
CBO	8.8	9.0	7.7	5.6	4.8
Blue Chip Survey	8.6	9.1	8.1	6.3	5.5
3-Month Treasury Bill Rate					
President's Budget	0.3	1.6	3.4	4.0	4.0
CBO	0.3	0.9	1.8	4.0	4.7
Blue Chip Survey	0.3	1.0	2.8	4.0	4.2
10-Year Treasury Note Rate					
President's Budget	2.8	4.0	4.8	5.2	5.2
CBO	2.9	3.4	4.0	5.1	5.6
Blue Chip Survey	2.9	3.7	4.5	5.2	5.4

Sources: OMB, *A New Era of Responsibility: Renewing America's Promise* (February 2009); CBO, *A Preliminary Analysis of the President's Budget and an Update of CBO's Budget and Economic Outlook* (March 2009); and Aspen Publishers, *Blue Chip Economic Indicators* (March 2009).

7. COMMITTEE VOTES

On March 25, 2009, Chairman Conrad presented the Chairman's Mark for the fiscal year 2010 budget resolution to the Committee. Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

March 26, 2009

(1) By unanimous consent the Committee agreed to the Cornyn-Conrad-Whitehouse amendment to add to the Chairman's Mark a deficit-neutral reserve fund for the creation of a bipartisan Congressional commission to eliminate wasteful and non-performing government programs.

(2) By unanimous consent the Committee agreed to the Cardin-Ensign amendment to add to the Chairman's Mark a deficit-neutral reserve fund for legislation that improves access to Medicare outpatient therapy services by addressing the current caps on such services.

(3) By unanimous consent the Committee agreed to the Warner-Grassley-Ensign-Gregg amendment to amend the deficit-neutral reserve fund for health care reform in the Chairman's Mark to accommodate health reform legislation that promotes transparency in cost and quality information.

(4) By a vote of 10 yeas to 13 nays the Committee defeated the Alexander amendment to add to the Chairman's Mark a new deficit-neutral reserve fund for energy.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(5) By a vote of 21 yeas to 2 nays the Committee agreed to the Feingold-Whitehouse-Sanders amendment to adjust the discretionary caps to reduce waste in defense contracting.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley, Gregg, Grassley, Enzi, Sessions, Crapo, Ensign, Graham, Alexander.

Nays: Bunning, Cornyn.

(6) By a vote of 21 yeas to 2 nays the Committee agreed to the Whitehouse-Cardin-Merkley amendment to amend the deficit-neutral energy and environment reserve fund in the Chairman's Mark to include legislation to preserve or protect oceans and coastal areas.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley, Gregg, Grassley, Enzi, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Sessions, Bunning.

(7) By voice vote the Committee agreed to the Crapo amendment to add to the Chairman's Mark provisions requiring debt disclosure.

(8) By a vote of 10 yeas to 13 nays the Committee defeated the Sessions amendment concerning non-defense discretionary spending.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(9) By a vote of 16 yeas to 7 nays the Committee agreed to the Merkley amendment to amend the deficit-neutral reserve fund in the Chairman's Mark for energy and the environment to include legislation to preserve or protect public lands.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley, Cornyn, Graham, Alexander.

Nays: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign.

(10) By a vote of 10 yeas to 13 nays the Committee defeated the Cornyn amendment concerning non-defense discretionary spending.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(11) By a vote of 13 yeas to 10 nays the Committee agreed to the Cardin amendment to provide additional resources to the Small Business Administration.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

Nays: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

(12) By a vote of 23 yeas to 0 nays the Committee agreed to the Bunning amendment, as modified, to add to the Chairman's Mark a deficit-neutral reserve fund to improve domestic fuels security.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley, Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: None

(13) By a vote of 10 yeas to 13 nays the Committee defeated the Grassley amendment concerning annual commodity program payment limits.

Yeas: Feingold, Menendez, Cardin, Sanders, Whitehouse, Merkley, Gregg, Grassley, Enzi, Ensign.

Nays: Conrad, Murray, Wyden, Byrd, Nelson (FL), Stabenow, Warner, Sessions, Bunning, Crapo, Cornyn, Graham, Alexander.

(14) By a vote of 14 yeas to 9 nays the Committee agreed to the Conrad-Gregg amendment to provide additional funds for child nutrition and deficit reduction through savings in crop insurance programs.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley, Gregg, Sessions, Ensign.

Nays: Nelson (FL), Stabenow, Grassley, Enzi, Bunning, Crapo, Cornyn, Graham, Alexander.

(15) By voice vote the Committee agreed to the Sanders amendment to add to the Chairman's Mark a deficit-neutral reserve fund for a comprehensive investigation into the financial crisis.

(16) By voice vote the Committee agreed to the Sanders-Feingold-Bunning-Menendez amendment, as modified, to add to the Chairman's Mark a deficit-neutral reserve fund for increased transparency at the Federal Reserve.

Senators Gregg and Alexander requested the record reflect they voted nay on this amendment.

(17) By a vote of 11 yeas to 12 nays the Committee defeated the Enzi amendment to add to the Chairman's Mark a deficit-neutral reserve fund for legislation that would cap health information technology incentive payments provided for in the economic stimulus bill.

Yeas: Warner, Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Merkley.

(18) By voice vote the Committee agreed to the Feingold-Sanders amendment to amend the deficit-neutral reserve fund for housing assistance to include legislation for low-income rental assistance and the affordable Housing Trust Fund.

(19) By a vote of 10 yeas to 13 nays the Committee defeated the Bunning-Graham-Enzi amendment to add to the Chairman's Mark a deficit-neutral reserve fund for abstinence education.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(20) By a vote of 10 yeas to 13 nays the Committee defeated the Alexander amendment to add to the Chairman's Mark a Senate point of order against certain debt to GDP levels.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(21) By voice vote the Committee agreed to the Whitehouse-Stabenow-Menendez-Graham amendment to amend the deficit-neutral reserve fund for economic stabilization and growth to include legislation to mitigate unemployment.

(22) By voice vote the Committee agreed to the Crapo-Cornyn-Sessions-Merkley amendment to add to the Chairman's Mark a Senate point of order against appropriations legislation containing changes in a mandatory program that affect the Crime Victims Fund.

(23) By a vote of 10 yeas to 13 nays the Committee defeated the Graham amendment to add to the Chairman's Mark a Senate point of order against certain per household debt levels.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(24) By a vote of 10 yeas to 13 nays the Committee defeated the Cornyn amendment to add to the Chairman's Mark a Senate point of order against certain debt levels.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(25) By a vote of 10 yeas to 13 nays the Committee defeated the Gregg amendment to modify the deficit-neutral reserve fund for health care reform in the Chairman's Mark by limiting the flexibility provided to authorizing committees for legislation that is deficit-neutral over 11 years.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(26) By a vote of 10 yeas to 13 nays the Committee defeated the Gregg amendment to add to the Chairman's Mark discretionary spending limits for 2011 and 2012.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

(27) By a vote of 10 yeas to 13 nays the Committee defeated the Gregg amendment to add to the Chairman's Mark a Senate point of order against certain deficit and debt levels relative to the levels in the European Union.

Yeas: Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Stabenow, Menendez, Cardin, Sanders, Whitehouse, Warner, Merkley.

8. SUMMARY TABLES

FISCAL YEAR 2010 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2009	2010	2011	2012	2013	2014	2010-14
			Summary				
Budget Authority	**4,193.698**	**3,409.433**	**3,375.292**	**3,408.884**	**3,612.557**	**3,814.841**	**17,621.007**
On	3,668.049	2,853.966	2,799.858	2,812.313	2,990.082	3,164.644	14,620.863
Off	525.649	555.467	575.434	596.571	622.475	650.197	3,000.144
Outlays	**3,878.160**	**3,534.362**	**3,510.238**	**3,450.634**	**3,622.304**	**3,799.526**	**17,917.064**
On	3,355.533	2,981.026	2,937.215	2,856.956	3,003.162	3,152.972	14,931.331
Off	522.627	553.336	573.023	593.678	619.142	646.554	2,985.733
Revenues	**2,159.314**	**2,288.280**	**2,613.790**	**2,849.632**	**3,052.666**	**3,291.995**	**14,096.363**
On	1,506.196	1,620.072	1,918.926	2,123.586	2,286.601	2,489.829	10,439.015
Off	653.117	668.208	694.864	726.045	766.065	802.166	3,657.347
Deficit (-)/Surplus	**-1,718.846**	**-1,246.082**	**-896.448**	**-601.002**	**-569.638**	**-507.531**	**-3,820.701**
On	-1,849.337	-1,360.954	-1,018.289	-733.370	-716.560	-663.142	-4,492.315
Off	130.490	114.872	121.841	132.367	146.923	155.612	671.614
Debt Held by the Public	7,754.355	8,817.043	9,702.393	10,345.439	10,919.379	11,471.742	--
Public Debt	12,067.919	13,298.235	14,394.517	15,303.842	16,175.508	17,022.970	--
			By Function				
050 National Defense							
Budget Authority	693.557	691.703	619.767	628.785	639.535	653.458	3,233.248
Outlays	671.725	695.628	662.705	642.223	641.425	646.834	3,288.815
150 International Affairs							
Budget Authority	55.333	46.670	48.192	50.429	53.332	55.996	254.619
Outlays	38.011	46.960	49.936	51.181	52.292	53.111	253.479
250 General Science, Space, and Technology							
Budget Authority	35.389	31.139	33.993	35.008	35.557	36.211	171.908
Outlays	30.973	32.467	33.032	33.749	34.971	36.066	170.285
270 Energy							
Budget Authority	43.919	4.489	4.404	4.427	4.619	4.540	22.479
Outlays	2.952	6.210	8.906	10.341	5.613	0.484	31.553
300 Natural Resources and Environment							
Budget Authority	56.009	37.387	37.914	38.376	38.256	38.602	190.534
Outlays	36.834	40.450	39.868	39.419	38.883	38.788	197.409
350 Agriculture							
Budget Authority	24.974	23.620	24.602	21.500	22.295	22.920	114.937
Outlays	23.070	23.881	23.914	17.410	21.877	21.906	108.987
370 Commerce and Housing Credit							
Budget Authority	699.092	64.375	27.998	9.277	16.962	10.941	129.554
Outlays	670.090	89.080	39.865	8.372	5.306	-2.779	139.844
On Budget Authority	694.439	61.113	25.931	9.305	16.985	10.958	124.293
Outlays	665.437	85.818	37.798	8.400	5.329	-2.762	134.583
Off Budget Authority	4.653	3.262	2.067	-0.028	-0.023	-0.017	5.261
Outlays	4.653	3.262	2.067	-0.028	-0.023	-0.017	5.261
400 Transportation							
Budget Authority	122.457	75.246	75.301	75.885	75.758	75.642	377.833
Outlays	87.784	95.695	96.147	95.184	95.017	94.972	477.016
450 Community and Regional Development							
Budget Authority	23.811	16.308	16.152	16.194	16.043	16.068	80.766
Outlays	29.983	28.921	25.563	22.254	19.633	17.870	114.242
500 Education, Training, Employment, and Social Services							
Budget Authority	164.276	94.430	107.858	117.121	115.931	125.788	561.128
Outlays	73.219	140.624	141.412	118.480	118.911	120.959	640.386

550 Health							
Budget Authority	380.158	383.911	363.906	368.156	387.170	396.523	1,899.666
Outlays	354.397	388.746	367.276	367.505	382.555	397.351	1,903.433
570 Medicare							
Budget Authority	427.076	442.823	487.508	491.844	539.711	592.893	2,554.779
Outlays	426.736	442.954	487.326	491.616	539.862	592.733	2,554.492
600 Income Security							
Budget Authority	520.123	534.689	507.482	450.081	454.160	454.931	2,401.343
Outlays	503.020	538.604	510.762	450.806	453.932	453.726	2,407.830
650 Social Security							
Budget Authority	686.427	703.408	728.422	757.525	792.485	831.958	3,813.798
Outlays	682.849	701.400	726.144	754.782	789.302	828.315	3,799.943
On Budget Authority	31.820	20.255	23.380	26.478	29.529	32.728	132.370
Outlays	31.264	20.378	23.513	26.628	29.679	32.728	132.926
Off Budget Authority	654.607	683.153	705.042	731.047	762.956	799.230	3,681.428
Outlays	651.585	681.022	702.631	728.154	759.623	795.587	3,667.017
700 Veterans Benefits and Services							
Budget Authority	97.705	106.357	112.806	108.643	113.722	115.929	557.457
Outlays	94.831	105.460	112.355	108.048	113.071	115.388	554.322
750 Administration of Justice							
Budget Authority	55.783	52.857	52.061	51.866	51.651	51.488	259.922
Outlays	49.853	51.630	54.110	53.726	52.678	51.635	263.780
800 General Government							
Budget Authority	30.405	22.321	22.477	22.707	22.437	22.808	112.750
Outlays	24.629	23.021	23.322	23.806	23.252	23.109	116.509
900 Net Interest							
Budget Authority	169.821	168.758	208.094	270.020	347.373	427.026	1,421.270
Outlays	169.821	168.758	208.094	270.020	347.373	427.026	1,421.270
On Budget Authority	289.021	284.558	323.794	387.620	470.073	557.326	2,023.370
Outlays	289.021	284.558	323.794	387.620	470.073	557.326	2,023.370
Off Budget Authority	-119.200	-115.800	-115.700	-117.600	-122.700	-130.300	-602.100
Outlays	-119.200	-115.800	-115.700	-117.600	-122.700	-130.300	-602.100
920 Allowances							
Budget Authority	0.000	-7.466	-16.016	-17.492	-19.097	-20.674	-80.744
Outlays	0.000	-2.536	-12.873	-16.820	-18.307	-19.758	-70.293
950 Undistributed Offsetting Receipts							
Budget Authority	-92.617	-83.592	-87.628	-91.468	-95.343	-98.207	-456.238
Outlays	-92.617	-83.592	-87.628	-91.468	-95.343	-98.207	-456.238
On Budget Authority	-78.206	-68.444	-71.653	-74.620	-77.585	-79.491	-371.793
Outlays	-78.206	-68.444	-71.653	-74.620	-77.585	-79.491	-371.793
Off Budget Authority	-14.411	-15.148	-15.975	-16.848	-17.758	-18.716	-84.445
Outlays	-14.411	-15.148	-15.975	-16.848	-17.758	-18.716	-84.445

FISCAL YEAR 2010 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending

($s in billions)	2009	2010	2011	2012	2013	2014	2010-14
			Summary				
Total Mandatory							
Budget Authority	**2,712.279**	**2,198.547**	**2,232.371**	**2,246.837**	**2,431.852**	**2,611.472**	**11,721.078**
Outlays	**2,632.188**	**2,171.805**	**2,196.377**	**2,190.699**	**2,369.873**	**2,544.876**	**11,473.629**
On-Budget							
Budget Authority	2,192.179	1,649.414	1,663.772	1,657.433	1,816.877	1,969.157	8,756.652
Outlays	2,114.759	1,624.665	1,630.054	1,604.102	1,758.156	1,906.122	8,523.098
Off-Budget							
Budget Authority	520.100	549.133	568.599	589.404	614.975	642.315	2,964.426
Outlays	517.429	547.140	566.323	586.597	611.717	638.754	2,950.531
			By Function				
050 National Defense							
Budget Authority	3.631	5.575	5.474	5.173	5.114	5.209	26.545
Outlays	4.883	5.665	5.498	5.212	5.093	5.202	26.670
150 International Affairs							
Budget Authority	-1.781	-3.134	-3.631	-3.321	-2.342	-1.543	-13.971
Outlays	-3.503	-2.819	-1.358	-1.623	-1.824	-2.198	-9.822
250 General Science, Space, and Technology							
Budget Authority	0.125	0.125	0.125	0.125	0.125	0.125	0.625
Outlays	0.118	0.138	0.127	0.132	0.131	0.125	0.653
270 Energy							
Budget Authority	-1.079	-1.191	-1.178	-1.032	-0.700	-0.635	-4.736
Outlays	-2.398	-2.764	-2.397	-1.658	-1.478	-1.598	-9.895
300 Natural Resources and Environment							
Budget Authority	1.413	2.302	2.142	2.424	2.096	2.137	11.101
Outlays	0.582	1.584	2.155	2.436	2.405	2.157	10.737
350 Agriculture							
Budget Authority	18.625	17.489	18.452	15.295	16.034	16.601	83.871
Outlays	16.959	17.664	17.781	11.251	15.670	15.645	78.011
370 Commerce and Housing Credit							
Budget Authority	685.876	50.984	21.865	4.423	12.984	7.249	97.499
Outlays	663.837	75.553	30.781	1.462	-0.355	-7.037	100.404
On Budget Authority	681.476	47.984	20.065	4.723	13.284	7.543	93.599
Outlays	659.437	72.553	28.981	1.762	-0.055	-6.737	96.504
Off Budget Authority	4.400	3.000	1.800	-0.300	-0.300	-0.300	3.900
Outlays	4.400	3.000	1.800	-0.300	-0.300	-0.300	3.900
400 Transportation							
Budget Authority	43.396	43.810	43.991	44.199	44.318	44.525	220.843
Outlays	2.116	2.233	2.279	2.414	2.536	2.690	12.152
450 Community and Regional Development							
Budget Authority	0.805	0.378	0.173	0.193	0.015	0.015	0.774
Outlays	3.731	2.399	0.971	0.762	0.444	-0.057	4.519
500 Education, Training, Employment, and Social Services							
Budget Authority	-24.232	5.013	10.418	13.986	8.515	14.431	52.363
Outlays	-21.595	1.725	10.358	11.563	11.112	9.994	44.752
550 Health							
Budget Authority	304.675	325.753	304.744	308.325	326.532	334.612	1,599.966
Outlays	296.762	324.079	303.522	306.426	322.674	336.787	1,593.488
570 Medicare							
Budget Authority	421.686	437.228	481.689	485.992	533.818	586.966	2,525.693
Outlays	421.481	437.388	481.545	485.788	533.977	586.813	2,525.511

600 Income Security							
Budget Authority	446.056	471.911	443.349	385.105	388.378	388.262	2,077.005
Outlays	438.964	470.744	441.540	382.518	386.046	386.600	2,067.448
650 Social Security							
Budget Authority	680.041	697.336	721.854	750.630	785.262	824.359	3,779.441
Outlays	677.370	695.343	719.578	747.823	782.004	820.798	3,765.546
On Budget Authority	30.730	20.255	23.380	26.478	29.529	32.728	132.370
Outlays	30.730	20.255	23.380	26.478	29.529	32.728	132.370
Off Budget Authority	649.311	677.081	698.474	724.152	755.733	791.631	3,647.071
Outlays	646.640	675.088	696.198	721.345	752.475	788.070	3,633.176
700 Veterans Benefits and Services							
Budget Authority	48.311	53.094	58.389	52.788	56.338	56.960	277.569
Outlays	48.074	52.986	58.383	52.561	56.139	56.869	276.938
750 Administration of Justice							
Budget Authority	1.684	4.094	1.466	1.360	1.262	1.225	9.407
Outlays	1.835	2.160	2.585	2.310	1.250	1.169	9.474
800 General Government							
Budget Authority	5.843	2.614	2.583	2.620	2.073	2.161	12.051
Outlays	5.768	2.561	2.563	2.770	2.019	2.098	12.011
900 Net Interest							
Budget Authority	169.821	168.758	208.094	270.020	347.373	427.026	1,421.270
Outlays	169.821	168.758	208.094	270.020	347.373	427.026	1,421.270
On Budget Authority	289.021	284.558	323.794	387.620	470.073	557.326	2,023.370
Outlays	289.021	284.558	323.794	387.620	470.073	557.326	2,023.370
Off Budget Authority	-119.200	-115.800	-115.700	-117.600	-122.700	-130.300	-602.100
Outlays	-119.200	-115.800	-115.700	-117.600	-122.700	-130.300	-602.100
920 Allowances							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
950 Undistributed Offsetting Receipts							
Budget Authority	-92.617	-83.592	-87.628	-91.468	-95.343	-98.207	-456.238
Outlays	-92.617	-83.592	-87.628	-91.468	-95.343	-98.207	-456.238
On Budget Authority	-78.206	-68.444	-71.653	-74.620	-77.585	-79.491	-371.793
Outlays	-78.206	-68.444	-71.653	-74.620	-77.585	-79.491	-371.793
Off Budget Authority	-14.411	-15.148	-15.975	-16.848	-17.758	-18.716	-84.445
Outlays	-14.411	-15.148	-15.975	-16.848	-17.758	-18.716	-84.445

FISCAL YEAR 2010 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending

($s in billions)	2009	2010	2011	2012	2013	2014	2010-14
Summary							
Total Discretionary							
Budget Authority	**1,481.419**	**1,210.886**	**1,142.921**	**1,162.047**	**1,180.705**	**1,203.369**	**5,899.929**
Outlays	**1,245.972**	**1,362.557**	**1,313.861**	**1,259.935**	**1,252.431**	**1,254.650**	**6,443.434**
Defense							
Budget Authority	689.926	686.128	614.293	623.612	634.421	648.249	3,206.703
Outlays	666.842	689.963	657.207	637.011	636.332	641.632	3,262.145
Nondefense							
Budget Authority	791.493	524.758	528.628	538.435	546.284	555.120	2,693.226
Outlays	579.130	672.594	656.654	622.924	616.099	613.018	3,181.289
By Function							
050 National Defense							
Budget Authority	689.926	686.128	614.293	623.612	634.421	648.249	3,206.703
Outlays	666.842	689.963	657.207	637.011	636.332	641.632	3,262.145
150 International Affairs							
Budget Authority	57.114	49.804	51.823	53.750	55.674	57.539	268.590
Outlays	41.514	49.779	51.294	52.804	54.116	55.309	263.301
250 General Science, Space, and Technology							
Budget Authority	35.264	31.014	33.868	34.883	35.432	36.086	171.283
Outlays	30.855	32.329	32.905	33.617	34.840	35.941	169.632
270 Energy							
Budget Authority	44.998	5.680	5.582	5.459	5.319	5.175	27.215
Outlays	5.350	8.974	11.303	11.999	7.091	2.082	41.448
300 Natural Resources and Environment							
Budget Authority	54.596	35.085	36.772	35.952	36.160	36.465	179.433
Outlays	36.252	38.866	37.713	36.983	36.478	36.631	186.672
350 Agriculture							
Budget Authority	6.349	6.131	6.150	6.205	6.261	6.319	31.066
Outlays	6.111	6.217	6.133	6.159	6.207	6.261	30.976
370 Commerce and Housing Credit							
Budget Authority	13.216	13.391	6.133	4.854	3.978	3.698	32.055
Outlays	6.253	13.527	9.084	6.910	5.661	4.258	39.440
On Budget Authority	12.963	13.129	5.866	4.582	3.701	3.415	30.694
Outlays	6.000	13.265	8.817	6.638	5.384	3.975	38.079
Off Budget Authority	0.253	0.262	0.267	0.272	0.277	0.283	1.361
Outlays	0.253	0.262	0.267	0.272	0.277	0.283	1.361
400 Transportation							
Budget Authority	79.061	31.436	31.310	31.686	31.440	31.117	156.990
Outlays	85.668	93.462	93.868	92.770	92.481	92.282	464.864
450 Community and Regional Development							
Budget Authority	23.006	15.930	15.979	16.001	16.028	16.053	79.992
Outlays	26.252	26.522	24.592	21.492	19.189	17.927	109.723
500 Education, Training, Employment, and Social Services							
Budget Authority	188.508	89.417	97.440	103.135	107.416	111.357	508.765
Outlays	94.814	138.899	131.054	106.917	107.799	110.965	595.634
550 Health							
Budget Authority	75.483	58.158	59.162	59.831	60.638	61.911	299.700
Outlays	57.635	64.667	63.754	61.079	59.881	60.564	309.945
570 Medicare							
Budget Authority	5.390	5.595	5.819	5.852	5.893	5.927	29.086
Outlays	5.255	5.566	5.781	5.828	5.885	5.920	28.981

600 Income Security							
Budget Authority	74.067	62.778	64.133	64.976	55.782	66.669	324.338
Outlays	64.056	67.860	69.222	68.288	67.886	67.126	340.382
650 Social Security							
Budget Authority	6.386	6.072	6.568	6.895	7.223	7.599	34.357
Outlays	5.479	6.057	6.566	6.959	7.298	7.517	34.397
On Budget Authority	1.090	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.534	0.123	0.133	0.150	0.150	0.000	0.556
Off Budget Authority	5.296	6.072	6.568	6.895	7.223	7.599	34.357
Outlays	4.945	5.934	6.433	6.809	7.148	7.517	33.841
700 Veterans Benefits and Services							
Budget Authority	49.394	53.263	54.417	55.855	57.384	58.969	279.888
Outlays	46.757	52.474	53.972	55.487	56.932	58.519	277.384
750 Administration of Justice							
Budget Authority	54.099	48.763	50.595	50.506	50.389	50.263	250.515
Outlays	48.018	49.470	51.525	51.416	51.428	50.466	254.306
800 General Government							
Budget Authority	24.562	19.707	19.894	20.087	20.364	20.647	100.699
Outlays	18.861	20.460	20.759	21.036	21.233	21.011	104.498
900 Net Interest							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
920 Allowances							
Budget Authority	0.000	-7.466	-16.016	-17.492	-19.097	-20.674	-80.744
Outlays	0.000	-2.536	-12.873	-16.820	-18.307	-19.758	-70.293
950 Undistributed Offsetting Receipts							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000

FISCAL YEAR 2010 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS

$ billions	2009	2010	2011	2012	2013	2014	2010-2014
Discretionary							
Defense							
BA	689.926	686.128	614.293	623.612	634.421	648.249	3,206.703
OT	666.842	689.963	657.207	637.011	636.332	641.632	3,262.145
Nondefense							
BA	791.493	524.758	528.628	538.435	546.284	555.120	2,693.226
OT	579.130	672.594	656.654	622.924	616.099	613.018	3,181.289
Subtotal							
BA	1,481.419	1,210.886	1,142.921	1,162.047	1,180.705	1,203.369	5,899.929
OT	1,245.972	1,362.557	1,313.861	1,259.935	1,252.431	1,254.650	6,443.434
Mandatory Outlays	2,462.367	2,003.047	1,988.283	1,920.679	2,022.500	2,117.850	10,052.359
Net Interest Outlays	169.821	168.758	208.094	270.020	347.373	427.026	1,421.270
Total Outlays	3,878.160	3,534.362	3,510.238	3,450.634	3,622.304	3,799.526	17,917.064
Revenues	2,159.314	2,288.280	2,613.790	2,849.632	3,052.666	3,291.995	14,096.363
Change in Revenues	-26.374	-45.914	-169.705	-236.806	-228.736	-143.829	-824.990
Unified Deficit/Surplus	-1,718.846	-1,246.082	-896.448	-601.002	-569.638	-507.531	-3,820.701
% of GDP	-12.2%	-8.7%	-6.0%	-3.8%	-3.5%	-2.9%	
Debt Held by the Public	7,754.355	8,817.043	9,702.393	10,345.439	10,919.379	11,471.742	--
% of GDP	55.2%	61.2%	64.4%	65.6%	66.2%	66.5%	
Public Debt	12,067.919	13,298.235	14,394.517	15,303.842	16,175.508	17,022.970	--
% of GDP	85.9%	92.3%	95.6%	97.0%	98.1%	98.7%	
GDP	14,057	14,405	15,061	15,774	16,496	17,241	78,977

FISCAL YEAR 2010 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS

$ billions	2009	2010	2011	2012	2013	2014	2010-2014
Discretionary Outlays:							
Defense	4.7%	4.8%	4.4%	4.0%	3.9%	3.7%	4.1%
Nondefense	4.1%	4.7%	4.4%	3.9%	3.7%	3.6%	4.0%
Total Discretionary	8.9%	9.5%	8.7%	8.0%	7.6%	7.3%	8.2%
Mandatory Outlays	17.5%	13.9%	13.2%	12.2%	12.3%	12.3%	12.7%
Net Interest Outlays	1.2%	1.2%	1.4%	1.7%	2.1%	2.5%	1.8%
Total Outlays	27.6%	24.5%	23.3%	21.9%	22.0%	22.0%	22.7%
Revenues	15.4%	15.9%	17.4%	18.1%	18.5%	19.1%	17.8%
Unified Deficit/Surplus	-12.2%	-8.7%	-6.0%	-3.8%	-3.5%	-2.9%	-4.8%
Debt Held by the Public	55.2%	61.2%	64.4%	65.6%	66.2%	66.5%	--
Public Debt	85.9%	92.3%	95.6%	97.0%	98.1%	98.7%	--
GDP	14,057	14,405	15,061	15,774	16,496	17,241	78,977

FISCAL YEAR 2010 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending Summary

Budget Authority, $ billions	2009	2010	2011	2012	2013	2014	2010-2014
Defense	689.926	686.128	614.293	623.612	634.421	648.249	3,206.703
Nondefense	791.493	524.758	528.628	538.435	546.284	555.120	2,693.226
Total Discretionary	**1,481.419**	**1,210.886**	**1,142.921**	**1,162.047**	**1,180.705**	**1,203.369**	**5,899.929**
Memorandum:							
2009 Supplemental/Overseas Contingency Operations*	89.948	130.000	50.000	50.000	50.000	50.000	330.000
Program Integrity Adjustments*	0.000	1.836	0.000	0.000	0.000	0.000	1.836
Remaining Discretionary Funding	**1,391.471**	**1,079.050**	**1,092.921**	**1,112.047**	**1,130.705**	**1,153.369**	**5,568.093**

*In addition to an adjustment for funding for the cost of overseas contingency operations in 2010, the resolution assumes another $1.836 billion in contingent discretionary cap adjustments in 2010, including: Continuing Disability Reviews and SSI Redeterminations, Internal Revenue Service Tax Enforcement, Health Care Fraud and Abuse Control, Unemployment Insurance Improper Payment Reviews, and Reducing Waste in Defense Contracting. In all cases, cap adjustments will be withheld in reserve from the Appropriations Committee's 302(a) allocation until the Committee meets the conditions required for their release. For 2009, the resolution assumes enactment of the President's request for supplemental funding and that such funding will be designated as an emergency.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR 2009
(in millions of dollars)

	Direct Spending Legislation		Entitlements Funded in Annual Appropriations Acts	
Committee	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
General Purpose Discretionary	1,391,471	1,220,843		
Memo: *on-budget*	1,385,922	1,215,645		
off-budget	5,549	5,198		
Mandatory	670,696	658,189		
Total	2,062,167	1,879,032		
Agriculture, Nutrition, and Forestry	16,564	14,660	90,027	77,833
Armed Services	125,643	126,493	105	121
Banking, Housing, and Urban Affairs	688,581	660,785	0	0
Commerce, Science, and Transportation	13,990	10,450	1,235	1,236
Energy and Natural Resources	4,618	4,817	576	577
Environment and Public Works	29,400	2,017	0	0
Finance	1,178,826	1,167,039	506,309	506,332
Foreign Relations	23,477	22,222	149	149
Homeland Security and Governmental Affairs	91,166	89,297	10,425	10,425
Judiciary	7,986	8,076	639	664
Health, Education, Labor, and Pensions	-22,436	-19,058	13,014	12,961
Rules and Administration	69	21	126	126
Intelligence	0	0	279	279
Veterans' Affairs	952	1,041	47,812	47,486
Indian Affairs	528	532	0	0
Small Business	1,211	1,211	0	0
Unassigned to Committee	-639,092	-633,033	0	0
TOTAL	3,583,650	3,335,602	670,696	658,189

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR 2010
(in millions of dollars)

	Direct Spending Legislation		Entitlements Funded In Annual Appropriations Acts	
Committee	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
General Purpose Discretionary	1,079,150	1,268,203		
Memo: *on-budget*	1,072,816	1,262,007		
off-budget	6,334	6,196		
Mandatory	730,253	719,740		
Total	1,809,403	1,987,943		
Agriculture, Nutrition, and Forestry	15,988	15,246	100,179	89,627
Armed Services	135,650	135,706	107	108
Banking, Housing, and Urban Affairs	56,363	74,321	0	0
Commerce, Science, and Transportation	14,554	10,024	1,262	1,259
Energy and Natural Resources	5,026	4,887	442	443
Environment and Public Works	29,638	2,381	0	0
Finance	1,225,193	1,225,699	550,657	550,930
Foreign Relations	21,299	22,956	142	142
Homeland Security and Governmental Affairs	93,837	91,927	10,327	10,327
Judiciary	10,472	8,504	653	688
Health, Education, Labor, and Pensions	4,487	1,526	13,779	13,719
Rules and Administration	68	18	130	130
Intelligence	0	0	291	291
Veterans' Affairs	1,184	1,284	52,284	52,076
Indian Affairs	572	549	0	0
Small Business	0	0	0	0
Unassigned to Committee	-695,170	-690,103	0	0
TOTAL	2,728,564	2,892,868	730,253	719,740

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
5-YEAR: 2010-2014
(in millions of dollars)

	Direct Spending Legislation		Entitlements Funded In Annual Appropriations Acts	
Committee	Budget Authority	Outlays	Budget Authority	Outlays
Agriculture, Nutrition, and Forestry	77,004	75,140	508,359	452,415
Armed Services	710,328	710,249	460	461
Banking, Housing, and Urban Affairs	135,688	99,696	0	0
Commerce, Science, and Transportation	75,279	49,626	6,704	6,678
Energy and Natural Resources	27,251	27,457	1,470	1,471
Environment and Public Works	148,298	13,714	0	0
Finance	6,813,985	6,813,393	2,930,150	2,930,537
Foreign Relations	94,573	105,029	632	632
Homeland Security and Governmental Affairs	491,185	478,570	50,451	50,451
Judiciary	42,641	42,826	3,381	3,482
Health, Education, Labor, and Pensions	51,349	45,474	76,790	76,621
Rules and Administration	340	344	681	681
Intelligence	0	0	1,498	1,498
Veterans' Affairs	5,433	6,176	273,064	271,690
Indian Affairs	2,469	2,441	0	0
Small Business	0	0	0	0

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2008-2012
(Billions of dollars)

	Corporations						Individuals						
	2008	2009	2010	2011	2012	2008-12	2008	2009	2010	2011	2012	2008-12	Total
National Defense:													
Exclusion of benefits and allowances to armed forces personnel							3.6	3.9	4.1	4.4	4.5	20.5	20.5
Exclusion of military disability benefits							0.2	0.2	0.2	0.2	0.2	1.0	1.0
Deduction for overnight-travel expenses of national guard and reserve members							*	0.1	0.1	0.1	0.1	0.4	0.3
Exclusion of combat pay							1.4	1.3	1.1	0.9	0.9	5.6	5.6
International Affairs:													
Exclusion of certain allowances for Federal employees abroad							0.9	0.9	1.0	1.0	1.1	4.9	4.9
Exclusion of foreign earned income: 1/													
Housing							0.8	0.9	0.9	1.0	1.1	4.7	4.7
Salary							4.1	4.3	4.5	4.7	4.9	22.5	22.5
Inventory property sales source rule exception	6.8	7.0	7.2	7.4	7.6	36.0							36.0
Deduction for foreign taxes instead of a credit	0.2	0.2	0.2	0.2	0.3	1.1	*	*	*	*	*	0.2	1.3
Interest expense allocation:													
Unavailability of symmetric worldwide method	-2.2	-2.5	-2.7	-2.9	-0.5	-10.8							-10.8
Separate grouping of affiliated financial companies	1.0	1.1	1.2	1.3	1.4	6.0							6.0
Apportionment of research and development expenses for determination of foreign tax credits	0.3	0.3	0.3	0.3	0.4	1.6							1.6
Special rules for interest-charge domestic international sales corporations	0.4	0.5	0.5	0.1	0.1	1.6							1.6
Taxation of real property gains of foreign persons	*	*	*	*	*	*	*	*	*	*	*	*	-0.3
Tonnage tax	0.1	0.1	0.1	0.1	0.1	0.5							0.5
Deferral of active income of controlled foreign corporations 10/	9.6	10.5	11.3	12.1	12.9	56.4							56.4
Deferral of active financing income of controlled foreign corporations 10/	2.6	2.9	1.1			6.5							6.5
General Science, Space and Technology:													
Credit for increasing research activities	4.9	5.6	3.6	2.8	2.2	19.1	0.1	0.1	*	*	*	0.4	19.5
Expensing of research and experimental expenditures	3.1	4.8	5.6	6.7	7.8	28.0	0.1	0.1	0.1	0.1	0.2	0.6	28.3
Energy:													
Credit for energy efficiency improvements to existing homes							0.8	0.3	1.0			2.1	2.1
Credits for alternative technology vehicles	0.1	*	*	*	*	0.3	0.2	0.2	0.2	*	*	0.7	1.0
Credit for holders of clean renewable energy bonds	*	0.1	0.1	0.1	0.1	0.4	*	*	*	*	*	0.1	0.5
Exclusion of energy conservation subsidies provided by public utilities							*	*	*	*	*	0.1	0.1
Credit for holder of qualified energy conservation bonds	*	*	*	*	*	*	*	*	*	*	*	0.1	0.1
Energy related credits:													

Credits for enhanced oil recovery costs	*	*	*	*	*	0.1	*	*	*	*	*	0.1	0.2
Credits for producing fuels from a non-conventional source	0.1	0.1	*	*	*	0.4	*	*	*	*	*	0.2	0.6
Credits for alcohol fuels 9/	0.1	0.1	0.1	*		0.3							0.3
Energy credit (section 48):													
Solar	*	*	*	*	*	*	*	*	*	*	*	*	*
Geothermal	*	*	*	*	*	*	*	*	*	*	*	*	*
Fuel Cells	*	*	*	*	*	*	*	*	*	*	*	*	*
Microturbines							*	*	*	*	*	*	*
Credits for electricity production from renewable resources (section 45):													
Wind	0.6	0.8	0.9	0.9	0.9	4.1	*	*	*	*	*	*	4.1
Closed-loop biomass	*	*	*	*	*	*							*
Geothermal	*	*	*	*	*	0.2							0.2
Qualified hydropower	*	*	*	*	*	0.1							0.1
Solar (limited to facilities placed in service before 1/1/06)	*	*	*	*	*	0.1							0.1
Small irrigation power	*	*	*	*	*	0.1							0.1
Municipal solid waste	*	*	*	*	*	0.2							0.2
Open-loop biomass	0.3	0.4	0.3	0.2	0.2	1.4	*	*	*	*	*	0.1	1.5
Credits for investments in clean coal facilities	0.2	0.2	0.2	0.1	0.1	0.8							0.8
Coal production credits:													
Refined coal	*	*	*	*	*	0.1							0.1
Indian coal	*	*	*	*	*	0.1							0.1
Credit for the production of energy-efficient appliances	0.1	0.1	0.1	*		0.3							0.3
Credit for alternative technology vehicles:													
Hybrid vehicles	*	*	*	*	*	0.2	0.2	0.2	0.2	0.1	*	0.7	0.9
Other alternative fuel vehicles	*	*	*	*	*	*	*	*	*	*	*	0.1	0.1
Credit for clean-fuel vehicle refueling property	*	*	*	*	*	*	*	*	*	*	*	0.1	0.1
Residential energy efficient property credit	*	*	*	*	*	*	*	*	*	*	*	0.1	0.1
New energy-efficient home credit	*	*	*	*	*	0.1							0.1
Energy-related exclusion from income:													
Exclusion of interest on State and local government qualified private activity bonds for energy production facilities	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.1	0.5	0.6
Energy-related deductions:													
Deduction for expenditures on energy-efficient commercial building property	*	0.1	0.1	0.1	0.1	0.2	*	*	*	*	*	*	0.2
Eigh-year inclusion from sale of electric transmission assets to independent utilities	0.3	0.2	*	-0.1	-0.1	0.3	*	*	*	*	*	*	0.3
Expensing of exploration and development costs:													
Oil and gas	2.1	3.0	1.7	0.4	0.4	7.2	*	*	*	*	*	*	7.2
Other fuels	*	*	*	*	*	0.2	*	*	*	*	*	0.1	0.3
Excess of percentage over cost depletion:													
Oil and gas	1.3	1.4	1.4	1.4	1.4	6.9							7.1
Other fuels	0.1	0.1	0.1	0.1	0.1	0.5							0.8

Amortization of geological and geophysical expenditures associated with oil and gas exploration	0.1	0.2	0.2	0.2	0.2	0.9		0.1	0.1	0.1	0.1	0.4	1.3
Amortization of air pollution control facilities	0.1	0.1	0.1	0.2	0.2	0.6	*	*	*	*	*	*	0.6
Depreciation recovery periods for energy specific items:													
Five-year MACRS for certain energy property (solar, wind, etc.)	0.2	0.1	0.1	0.1	0.1	0.5	*	*	*	*	*	*	0.5
10-year MACRS for smart electric distribution property	*	*	*	*	*	*	0.1	*	*	*	*	0.1	0.1
15-year MACRS for certain electric transmission property	*	0.1	0.1	0.2	0.2	0.6	*	*	*	*	*	*	0.6
15-year MACRS for natural gas distribution line	0.1	0.1	0.1	0.1	0.1	0.5	*	*	*	*	*	0.1	0.6
Election to expense 50 percent of qualified property used to refine liquid fuels	0.4	1.1	0.9	0.8	0.6	3.8	*	*	*	*	*	*	3.8
Exceptions for publicly traded partnerships with qualified income derived from certain energy-related activities							0.4	0.4	0.5	0.6	0.6	2.5	2.6
Natural Resources and Environment:													
Refund of deemed tax payment to allocatee of qualified forestry conservation bond limitation		0.3				0.3							0.3
Special depreciation allowance for certain reuse and recycling property	*	*	*	*	*	0.1	*	*	*	*	*	*	0.1
Expensing of exploration and development costs, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	0.5	*	*	*	*	*	*	0.5
Excess of percentage over cost depletion, nonfuel minerals	0.1	0.1	0.1	0.1	0.1	0.6	0.1	0.1	0.1	0.1	0.1	0.6	1.2
Expensing of timber-growing costs	0.3	0.2	0.2	0.2	0.2	1.0	*	*	*	*	*	0.1	1.1
Special rules for mining reclamation reserves	*	*	*	*	*	0.1	*	*	*	*	*	0.1	0.2
Special tax rate for nuclear decommissioning reserve funds	0.7	0.8	0.8	0.9	1.0	4.2							4.2
Exclusion of contributions in aid of construction for water and sewer utilities	*	*	*	*	*	0.2							0.2
Exclusion of earnings of certain environmental settlement funds	*	*	*	*	*	0.1							0.1
Amortization and expensing of reforestation expenditures	*	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Gain or loss in the case of timber, coal, or domestic iron ore							0.4	0.4	0.4	0.4	0.4	2.1	2.1
Special tax rate for qualified timber gain	*	0.1	*	*	*	0.1							0.1
Treatment of income from exploration and mining of natural resources as qualifying income under the publicly-traded partnership rules							*	*	*	*	*	0.1	0.1
Agriculture:													
Expensing of soil and water conservation expenditures	*	*	*	*	*	0.1	*	*	*	*	*	0.1	0.2
Expensing of the costs of raising dairy and breeding cattle	*	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.5	0.5
Exclusion of cost-sharing payments	*	*	*	*	*	*	*	*	*	*	*	0.1	1.0
Exclusion of cancellation of indebtedness income of farmers							0.1	0.1	0.1	0.1	0.1	0.5	0.5
Income averaging for farmers and fishermen							*	*	*	*	*	0.2	0.2
Five-year carryback period for net operating losses attributable to farming	*	0.1	0.1	0.1	0.1	0.3	*	0.1	0.1	0.1	0.1	0.4	0.7
Expensing by farmers for fertilizer and soil conditioner costs	*	*	*	*	*	*	0.2	0.1	0.1	0.1	0.1	0.6	0.6
Commerce and Housing:													
Housing:													
Refundable first-time homebuyers credit							*	*	*	*	*	*	*
Deduction for mortgage interest on owner-occupied residences							67.0	80.1	89.4	99.8	107.3	443.6	443.6
Deduction for property taxes on real property							24.6	15.9	13.4	26.6	31.6	112.0	112.0

Increased standard deduction for real property taxes							0.9	2.5	0.4			3.7	3.7
Exclusion of capital gains on sales of principal residences							16.8	15.8	16.9	19.3	20.9	89.9	89.9
Exclusion of interest on State and local government qualified private activity bonds for owner-occupied housing	0.4	0.4	0.4	0.4	0.5	2.1	0.9	0.9	1.0	1.1	1.2	5.1	7.1
Deduction for premiums for qualified mortgage insurance								0.1	0.2	0.2		0.5	0.5
Exclusion of income attributable to the discharge of principal residence acquisition indebtedness							0.2	0.3	0.2	0.2	0.1	1.1	1.1
First-time homebuyer credit 2/							0.3	13.6	-0.5	-1.9	-1.7	9.9	9.9
Credit for low-income housing	4.8	5.1	5.5	5.9	6.3	27.6	0.6	0.6	0.7	0.7	0.7	3.3	30.9
Credit for rehabilitation of historic structures	0.3	0.3	0.3	0.4	0.4	1.7	0.1	0.1	0.1	0.2	0.2	0.7	2.4
Credit for rehabilitation of structures, other than historic structures	*	*	*	1.0	1.0	2.0	0.1	0.1	0.2	0.2	0.2	0.8	2.8
Exclusion of interest on State and local government qualified private activity bonds for rental housing	0.2	0.2	0.2	0.3	0.3	1.2	0.6	0.6	0.6	0.7	0.7	3.3	4.5
Depreciation of rental housing in excess of alternative depreciation system 10/	0.4	0.5	0.5	0.5	0.5	2.4	3.8	4.1	4.8	4.9	4.8	22.5	24.9
Financial institutions:													
Exemption of credit union income	1.4	1.5	1.6	1.7	1.8	7.9							7.9
Insurance companies:													
Exclusion of investment income on life insurance and annuity contracts	2.6	2.7	2.7	2.8	2.9	13.7	26.8	27.5	28.2	28.9	29.7	141.1	154.8
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	0.3							0.3
Special treatment of life insurance company reserves	2.0	2.1	2.2	2.3	2.4	11.0							11.0
Special deduction for Blue Cross and Blue Shield companies	1.0	1.0	1.1	1.1	1.1	5.3							5.3
Tax-exempt status and election to be taxed only on investment income for certain small property and casualty insurance companies	0.1	0.1	0.1	0.1	0.1	0.3							0.3
Interest rate and discounting period assumptions for reserves of property and casualty insurance companies	0.6	0.6	0.7	0.7	0.7	3.2							3.2
15-percent proration for property and casualty insurance companies	0.3	0.3	0.3	0.4	0.4	1.7							1.7
Other business and commerce:													
Refundable research tax credits 1/	*	0.5				0.4							0.4
Exclusion of interest on State and local government small-issue qualified private activity bonds	0.1	0.1	0.1	0.1	0.2	0.6	0.3	0.3	0.3	0.4	0.4	1.8	2.4
Carryover basis of capital gains on gifts							2.5	1.8	14.3	14.6	3.5	36.7	36.7
15-year recovery period for:													
Leasehold improvement property	0.4	1.0	1.0	0.6	0.5	3.5	0.5	1.2	1.2	0.7	0.7	4.3	7.7
Restaurant property	0.1	0.1	0.1	0.1	0.1	0.5	0.1	0.1	0.1	0.1	0.1	0.5	1.2
Retail improvements	*	*	*	0.1	0.1	0.2				0.1	0.1	0.2	0.4
Retail motor fuels outlets	0.1	0.2	0.1	0.1	0.1	0.6	0.1	0.2	0.2	0.1	0.1	0.7	1.5
Seven-year recovery period for motorsports entertainment complexes	*	0.1	*	*	*	0.1							0.2
Deferral of gain on non-dealer installment sales	1.1	1.2	1.3	1.4	1.5	6.5	0.5	0.5	0.6	0.7	0.7	3.0	9.5
Deferral of gain on like-kind exchanges	3.0	3.0	3.1	3.2	3.3	15.6	1.1	1.1	1.2	1.1	1.1	5.6	21.2
Expensing under section 179 of depreciable business property	1.0	1.0	0.5	-0.1	-1.4	1.0	4.4	4.1	2.0	-0.5	-5.8	4.2	5.2
Amortization of business startup costs	*	*	*	*	*	*	0.8	0.9	0.9	1.0	1.0	4.6	4.6
Reduced rates on first $10,000,000 of corporate taxable income	3.3	3.3	3.2	3.2	3.2	16.2	*	*	*	*	*	0.1	16.3

Exemptions from imputed interest rules	*	*	*	*	*	*	0.5	0.5	0.5	0.5	0.6	2.6	2.6
Expensing of magazine circulation expenditures	*	*	*	*	*	*	*	*	*	*	*	0.1	0.1
Special rules for magazines, paper-back book, and record returns	*	*	*	*	*	0.1	*	*	*	*	*	0.1	0.2
Completed contract rules	0.5	0.5	0.6	0.6	0.7	2.9	*	*	*	*	*	0.1	3.0
Cash accounting, other than agriculture	*	*	*	*	*	0.1	0.9	0.9	1.0	1.0	1.1	4.9	5.0
Credit for employer-paid FICA taxes on tips	0.3	0.3	0.3	0.3	0.4	1.6	0.2	0.2	0.2	0.2	0.2	1.0	2.6
Deduction for certain film and television production costs	0.2	0.2	*	*	*	0.2	*	*	*	*	*	*	0.1
Deduction of income attributable to domestic production activities	5.5	6.0	7.3	8.6	9.4	36.8	1.8	2.0	2.7	3.5	3.9	13.9	50.7
Credit for the cost of carrying tax-paid distilled spirits in wholesale inventories	*	*	*	*	*	*							0.1
Reduced rates of tax on dividends and long-term capital gains							150.2	148.1	161.6	107.5	100.6	668.1	668.1
Exclusion on capital gains at death							26.5	28.3	30.4	37.6	45.2	168.0	168.0
Expensing of costs to remove architectural and transportation barriers to the handicapped and elderly							0.1	0.1	0.1	0.1	0.1	0.6	0.6
Reduced tax rate on small business stock gains							0.5	0.5	0.5	0.5	0.4	2.4	2.4
Distributions in redemption of stock to pay death taxes							0.3	0.3	0.3	*	0.5	1.3	1.3
Ordinary gain or loss treatment for sale or exchange of Fannie Mae and Freddie Mac preferred stock by certain financial institutions		2.6	0.4	0.2	0.1	3.3		0.1	*	*	*	0.1	3.4
Inventory methods and valuation:													
Last in first out	3.5	3.7	3.9	4.1	4.3	19.5	0.5	0.5	0.5	0.6	0.6	2.7	22.2
Lower of cost or market	2.2	0.3	0.4	0.4	0.5	3.8	0.6	0.1	0.1	0.1	0.1	1.0	4.8
Specific identification for homogeneous products	*	*	*	*	*	*	*	*	*	*	*	*	0.2
Exclusion of gain or loss on sale or exchange of brownsfield property	*	*	*	*	*	0.1							0.1
60-40 rule for gain or loss from section 1256 contracts	0.1	0.1	0.1	0.1	0.1	0.5	2.2	2.1	2.4	1.8	1.9	10.4	10.8
Net alternative minimum tax attributable to depreciation adjustment and net operating loss limitation	-0.7	-0.7	-0.6	-0.6	-0.6	-3.2	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-3.6
Exclusion of interest on State and local qualified private activity bonds for green buildings and sustainable design projects	*	*	*	*	*	*	*	*	*	*	*	*	0.1
Depreciation of buildings other than rental housing in excess of alternative depreciation systems 10/	0.9	1.7	1.7	1.1	1.1	6.5	0.7	1.4	1.4	0.9	0.9	5.3	12.1
Depreciation equipment in excess of the alternative depreciation system 10/	32.6	20.7	6.3	13.5	18.6	91.7	6.9	4.4	1.3	2.9	3.9	19.4	111.1
Transportation:													
Exclusion of employer-paid transportation benefits							4.0	4.1	4.3	4.9	5.2	22.4	22.4
Credit for certain expenditures on railroad track maintenance	0.1	0.1	*	*	*	0.2							0.2
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	0.5							0.5
Exclusion of interest on State and local government qualified private activity bonds for highway projects and rail-truck transfer facilities	*	*	*	*	*	*	*	*	*	*	*	*	0.1
Community and Regional Development:													
Empowerment zone tax incentives	0.4	0.4	0.2	*	*	1.0	0.4	0.4	0.2	0.1	0.1	1.2	2.2
Renewal community tax incentives	0.3	0.2	0.1	0.1	0.1	0.8	0.4	0.3	0.1	0.1	0.1	1.0	1.8
New markets tax credit	0.4	0.4	0.4	0.4	0.4	2.0	0.5	0.6	0.6	0.5	0.5	2.7	4.8
Expensing of environmental remediation costs ("brownfields")	0.1	0.1	*	-0.1	-0.2	-0.1	0.1	0.1	*	-0.1	-0.1	0.2	0.2

District of Columbia tax incentives	*	0.1	*	*	*	0.1	0.1	0.2	0.1	0.1	0.1	0.6	0.8
Disaster relief:													
Katrina emergency act	0.1	*	*	*	*	0.1	0.1	*	*	*	*	0.1	0.2
Gulf opportunity zone	0.3	*	0.1	*	*	0.4	1.3	0.6	0.4	0.3	0.2	2.8	3.3
Kansas disaster relief		*	*	*	*	*	*	*	*	*	*	*	0.1
Midwest disaster relief		0.3	0.2	0.2	0.3	1.0		0.9	0.1	0.1	0.1	1.2	2.2
National disaster relief		0.8	1.1	0.7	0.2	2.8		1.2	0.8	0.5	0.1	2.6	5.3
Accelerated depreciation for business property on Indian reservations	0.2	0.2	0.1	-0.1	-0.2	0.2	0.1	0.1	*	-0.1	-0.1	0.0	0.2
Credit for Indian reservation employment	*	*	*			0.1	*	*	*			0.1	0.2
Exclusion of interest on State and local government qualified private activity bonds for private airports, docks, and mass-commuting facilities	0.3	0.3	0.3	0.3	0.3	1.5	0.7	0.7	0.7	0.8	0.9	3.8	5.4
Exclusion of interest on State and local government qualified private activity bonds for sewage, water, and hazardous waste facilities	0.2	0.2	0.2	0.2	0.2	1.0	0.4	0.4	0.4	0.5	0.5	2.2	3.1
Education, Training, Employment, and Social Services:													
Education and training:													
Deduction for interest on student loans							0.8	0.9	1.0	0.5	0.4	3.7	3.7
Deduction for higher education expenses							1.2	2.5	0.7			4.5	4.5
Exclusion of earnings of Coverdell education savings accounts							0.1	0.1	0.1	0.2	0.2	0.6	0.6
Exclusion of interest on educational savings bonds							*	*	*	*	*	*	*
Exclusion of scholarship and fellowship income							1.8	1.9	2.0	2.1	2.2	10.1	10.1
Exclusion of income attributable to the discharge of certain student loan debt and NHSC educational loan repayments							0.1	0.1	0.1	0.1	0.1	0.4	0.4
Exclusion of employer-provided education assistance benefits							0.8	0.8	0.9	0.9	0.9	4.3	4.3
Exclusion of employer-provided tuition reduction benefits							0.2	0.2	0.2	0.2	0.2	1.0	1.0
Parental personal exemption for students aged 19 to 23							1.3	0.4	*	0.3	0.4	2.4	2.4
Exclusion of interest on State and local government qualified private activity bonds for student loans	0.1	0.2	0.2	0.2	0.2	0.9	0.4	0.4	0.4	0.5	0.5	2.2	3.0
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit and qualified public educational facilities	0.8	0.8	0.9	1.0	1.0	4.5	2.0	2.1	2.2	2.5	2.6	11.4	16.0
Credit for holders of qualified zone academy bonds	0.1	0.2	0.2	0.2	0.2	1.0							1.0
Deduction for charitable contributions to educational institutions	0.4	0.4	0.5	0.5	0.5	2.3	6.0	6.3	6.6	7.0	7.7	33.6	35.9
Above-the-line deduction for teacher classroom expenses							0.2	*				0.2	0.2
Credits for tuition for post-secondary education:													
Hope credit							2.7	1.8	2.0	2.6	2.7	11.8	11.8
Lifetime learning credit							1.9	1.2	2.0	2.8	2.9	10.8	10.8
Exclusion of tax on earnings of qualified tuition programs:													
Prepaid tuition programs							0.1	0.1	0.1	0.2	0.2	0.6	0.6
Savings account programs							0.5	0.5	0.8	1.1	1.3	4.1	4.1
Employment:													
Exclusion of employee meals and lodging (other than military)							0.9	1.0	1.0	1.0	1.1	5.1	5.1
Exclusion of benefits provided under cafeteria plans 3/							33.6	36.8	40.3	44.8	45.9	201.4	201.4

Exclusion of housing allowances for ministers							0.6	0.6	0.7	0.7	0.7	3.3	3.3
Exclusion of miscellaneous fringe benefits							6.3	6.4	6.6	7.5	8.0	34.8	34.8
Exclusion of employee awards							0.2	0.2	0.2	0.2	0.2	0.9	0.9
Exclusion of income earned by voluntary employees' beneficiary associations							2.0	2.1	2.1	2.2	2.3	10.7	10.7
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.2	5.4	0.5	0.5	0.5	0.5	0.5	2.5	6.9
Deferral of taxation on spread on acquisition of stock under incentive stock option plans and employee stock purchase plans:													
Deferral of taxation on spread on acquisition of stock under incentive stock option plans	-0.9	-0.9	-0.9	-1.0	-1.0	-4.7	0.3	0.3	0.3	0.3	0.2	1.4	-3.3
Deferral of taxation on spread on emloyee stock purchase plans	-0.2	-0.2	-0.2	-0.3	-0.3	-1.2	0.1	0.1	0.1	0.1	0.1	0.5	-0.6
Disallowance of deduction for excess parachute payments (applicable if payments to a disqualified individual are contingent on a change of control of a corporation and are equal to or greater than three times the individual's annualized includible compensation) 4/	-0.2	-0.2	-0.2	-0.2	-0.2	-1.0							-1.0
One million dollar cap on deductible compensation for covered employees of publicly held corporations 4/	-0.5	-0.5	-0.5	-0.5	-0.5	-2.6							-2.6
Work opportunity tax credit	0.5	0.5	0.6	0.5	0.4	2.5	0.1	0.1	0.1	0.1	0.1	0.5	3.1
Social Services:													
Refundable tax credit for children under age 17							20.3	18.8	18.0	7.3	3.9	68.3	68.3
Nonrefundable tax credit for children under age 17 5/							27.3	27.1	27.2	14.1	9.4	105.1	105.1
Credit for child and dependent care and exclusion of employer provided child care 6/							3.1	2.6	2.6	2.5	2.4	13.2	13.2
Credit for employer-provided dependent care							*	*	*	*	*	.2	0.2
Exclusion of certain foster care payments							0.7	0.7	0.8	0.8	0.9	3.9	3.9
Adoption credit and employee adoption benefits exclusion							0.4	0.4	0.4	0.1	*	1.3	1.3
Deduction for charitable contributions, other than for education and health 7/	2.4	2.5	2.6	2.6	2.7	12.8	34.4	35.9	37.7	40.3	43.9	192.1	204.9
Credit for disabled access expenditures	*	*	*	*	*	0.1	*	*	*	*	*	0.1	0.3
Health:													
Refundable credit for purchase of health insurance by certain displaced workers							*	*	*	*	*	*	*
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums 3/							116.8	127.4	136.9	145.0	154.2	680.3	680.3
Exclusion of medical care and TRICARE medical insurance for military dependents, retirees, and retiree dependents not enrolled in Medicare							2.1	2.2	2.3	2.5	2.6	11.7	11.7
Exclusion of health insurance benefits for military retirees and retiree dependents enrolled in Medicare							1.2	1.3	1.4	1.7	1.9	7.5	7.5
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed							4.4	4.8	5.2	5.8	6.3	26.4	26.4
Deduction for medical expenses and long-term care expenses							9.2	10.6	12.2	16.4	19.4	67.9	67.9
Exclusion of workers' compensation benefits (medical benefits)							8.1	8.8	9.5	10.3	11.2	47.8	47.8
Health savings accounts							0.5	0.7	0.9	1.2	1.6	4.9	4.9
Exclusion of interest on State and local government qualified private activity bonds for private nonprofit hospital facilities	0.6	0.6	0.7	0.7	0.8	3.4	1.5	1.6	1.7	1.9	2.0	8.7	12.1
Deduction for charitable contributions to health organizations	0.3	0.3	0.3	0.3	0.3	1.5	3.9	4.0	4.3	4.6	5.0	21.8	23.2
Credit for purchase of health insurance by certain displaced persons 2/							0.1	0.1	0.2	0.2	0.2	0.7	0.7
Credit for orphan drug research	0.3	0.3	0.3	0.4	0.4	1.7	*	*	*	*	*	*	1.7

Medicare:													
Exclusion of Medicare benefits:													
Hospital insurance (Part A)							21.9	23.7	25.7	30.1	33.1	134.4	134.4
Supplementary medical insurance (Part B)							14.6	16.0	17.7	21.1	23.5	92.9	92.9
Prescription drug insurance (Part D)							4.5	5.3	5.9	6.9	6.8	29.3	29.3
Exclusion of certain subsidies to employers who maintain prescription drug plans for Medicare enrollees	1.1	1.1	1.1	1.1	1.1	5.4							5.4
Income Security:													
Refundable earned income credit							42.4	44.3	45.3	41.7	41.0	214.7	214.7
Refundable recovery rebate							*	*	*	*	*	*	*
Exclusion of workers' compensation benefits (disability and survivors' payments)							2.7	2.7	2.7	3.0	3.1	14.2	14.2
Exclusion of damages on account of personal physical injuries or physical sickness							1.5	1.5	1.5	1.6	1.6	7.7	7.7
Exclusion of special benefits for disabled coal miners							*	*	*	*	*	0.2	0.2
Exclusion of cash public assistance benefits							3.0	3.0	3.1	3.4	4.4	16.9	16.9
Net exclusion of pension contributions and earnings:													
Plans covering partners and sole proprietors (sometimes referred to as "Keogh plans")							9.7	9.8	13.9	18.1	19.9	71.4	71.4
Defined benefit plans							42.4	42.8	42.7	42.6	42.4	212.9	212.9
Defined contribution plans							51.2	55.2	68.1	77.8	89.1	341.4	341.4
Individual retirement arrangements:													
Traditional IRAs							13.8	15.6	17.0	15.5	16.2	78.0	78.0
Roth IRAs							2.5	3.1	3.8	4.9	6.0	20.3	20.3
Credit for certain individuals for elective deferrals and IRA contributions							0.8	0.8	0.8	0.8	0.8	4.1	4.1
Exclusion of other employee benefits:													
Premiums on group term life insurance							2.6	2.7	2.7	2.7	2.7	13.4	13.4
Premiums on accident and disability insurance							2.9	3.0	3.1	3.3	3.5	15.8	15.8
Additional standard deduction for the blind and elderly							2.0	1.9	1.8	2.2	2.6	10.5	10.5
Deduction for casualty and theft losses							0.2	0.2	0.2	0.2	0.3	1.2	1.2
Nonrefundable earned income credit							6.2	6.3	6.4	7.9	8.7	35.5	35.4
Recovery Rebate 2/							95.0	20.4				115.4	115.4
Phase out of the personal exemption and disallowance of the personal exemption and the standard deduction against the alternative minimum tax							-11.1	-35.7	-64.5	-54.8	-44.2	-210.2	-210.2
Exclusion of survivor annuities paid to families of public safety officers killed in the line of duty							*	*	*	*	*	0.1	0.1
Exclusion of disaster mitigation payments	*	*	*	*	*	0.1	*	*	*	*	*	0.1	0.2
Social Security and Railroad Retirement:													
Exclusion of untaxed social security and railroad retirement benefits							24.2	25.7	27.8	34.1	35.3	147.1	147.1
Veterans' Benefits and Services:													
Exclusion of veterans' disability compensation							3.6	3.7	3.8	4.1	4.2	19.4	19.4
Exclusion of veterans' pensions							0.1	0.1	0.1	0.1	0.1	0.6	0.6

Exclusion of veterans' readjustment benefits							0.4	0.5	0.8	1.0	1.2	3.9	3.9
Exclusion of interest on State and local government qualified private activity bonds for veterans' housing	*	*	*	*	*	*	0.1	0.1	0.1	0.1	0.1	0.4	0.4
General Purpose Fiscal Assistance:													
Exclusion of interest on public purpose State and local government bonds	7.4	7.7	8.0	8.4	8.8	40.3	19.0	19.7	20.4	23.2	24.0	106.3	146.6
Deduction of nonbusiness State and local government income taxes, sales taxes, and personal property taxes							48.0	37.0	33.8	57.0	66.4	242.1	242.1
Interest:													
Deferral of interest on savings bonds							1.2	1.2	1.2	1.3	1.3	6.2	6.2

* = Less than +/- $50 million

1/ Transfer is limited to research credits that would otherwise expire.

2/ Includes both refundable and nonrefunable amounts.

3/ Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased through dependent care flexible spending accounts. These amounts are also included in other line items in this table.

4/ Estimate does not include effects of changes made by the Emergency Economic Stablization Act of 2008.

5/ Tax expenditure estimate includes amounts used to offset income taxes and amounts used to offset other taxes.

6/ Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

7/ In addition to the general charitable deduction, the tax expenditure accounts for the higher percentage limitation for public charities, the fair market value deduction for related-use tangible personal property, the enhanced deduction for inventory, the fair market value deduction for publicly traded stock and exceptions to the partial interest rate.

8/ Estimate includes employer-provided health insurance purchased through cafeteria plans.

9/ In addition, the credit from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $13.6 bilion over the fiscal years 2008 through 2012.

10/ These calculations are provided for historical comparison. The deferral calculations use full inclusion of the income of controlled foreign corporations as the standard, and the depreciation calculations use straight-line depreciation as the standard.

Note: Tax expenditures are defined in the Congressional Budget Act of 1974 as "revenue losses attributable to provisions of the Federal tax laws which allow a special exclusion, exemption, or deduction from gross income or which provides a special credit, a preferential rate of tax, or a deferral of tax liability."

All estimates have been rounded to the nearest $100 M. Totals may not add due to rounding.

Source: Joint Committee on Taxation.

9. COMMITTEE VIEWS AND ESTIMATES

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510–6000
202–224–2035
TTY/TDD 202–224–2587

March 12, 2009

The Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Judd Gregg
Ranking Republican Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman and Senator Gregg:

This letter provides the views of the Senate Committee on Agriculture, Nutrition and Forestry regarding the fiscal year 2010 (FY10) budget resolution. These views are provided in response to your February 19, 2009, letter and are in accordance with the requirements of the Congressional Budget Act. We thank you for this opportunity to provide these data, views and recommendations regarding the FY10 budget resolution process.

Our Committee's jurisdiction includes a number of important programs covering food, agriculture, forestry, and related matters. Mandatory spending within our jurisdiction include farm income support, nutrition, agricultural trade, international food assistance, conservation, energy, rural development, research, and crop insurance. Our committee also authorizes a range of programs funded through annual appropriations.

Mandatory spending outlays under the Committee's jurisdiction are projected to be $87.4 billion in fiscal year 2009 (FY09). The January 2009 Congressional Budget Office (CBO) baseline (released prior to the enactment of the American Recovery and Reinvestment Act) projects that mandatory spending under our jurisdiction will increase modestly over the baseline period of FY10 through fiscal year 2019 (FY19) - by less than 0.7 percent per year - assuming that current law governing these programs continues without change. By contrast, mandatory spending in the federal budget outside the jurisdiction of our Committee is projected by CBO to grow more rapidly - nearly 5.8 percent per year - to $2.78 trillion by FY19. In FY19, mandatory spending by the U.S. Department of Agriculture is projected to account for about 3.6 percent of total mandatory spending by the federal government assuming a continuation of current law governing such programs, down from 5.2 percent in FY06.

In June 2008, Congress enacted the Food, Conservation, and Energy Act (FCEA) over the President's veto. This legislation included higher spending for several programs under the Committee's jurisdiction which it views as priorities, nearly $10 billion for nutrition programs, such as the Supplemental Nutritional Assistance Program (SNAP), $1 billion for renewable energy, and $5 billion for conservation, and for the first time $1 billion for programs devoted

Views and Estimates letter

specifically to enhancing production and consumption of specialty crops. New authorizations for most programs needing annual appropriations were also included in the legislation.

In response to the severe recession we now face, Congress passed on February 13, 2009, the American Recovery and Reinvestment Act, which provided an additional $20.7 billion funding for SNAP and other supplemental nutrition programs to help individuals and families numbered among the 4.5 million Americans who have faced unemployment since the beginning of the recession, as well as others confronting economic distress. That legislation also included about $6.9 billion in spending on various categories of agricultural infrastructure projects intended to stimulate the rural economy.

In 2009, the Committee is scheduled to take up and pass a reauthorization of the nation's child nutrition programs, including the National School Lunch and the School Breakfast Program, the Child and Adult Care Food Program, the Women, Infants and Children (WIC) Program, and the Summer Food Service Program. As part of this process the Committee has already held hearings demonstrating the critical role that these programs play in fighting hunger and poor nutrition and the need for significant additional funding to address rising food insecurity and childhood obesity. We respectfully request that the FY10 Budget Resolution provide an amount of $1 billion per year in additional funds in a reserve account for the child nutrition reauthorization to enable investment in crucial areas of program access and participation, nutritional improvement, and program integrity and modernization.

We believe that the sum provided to the Committee in that reserve account for child nutrition programs should be a specific figure and operate as additional funding clearly available to the Committee. In these difficult economic times, one area of agriculture should not be disadvantaged in order to address needed improvements elsewhere. In addition, we believe that the provision should be enforceable and fiscally responsible, so as not to increase the budget deficit. We would specifically note, however, that the deficit-neutral reserve fund provided in the FY08 budget resolution for the farm bill was extremely difficult to utilize, and contributed to the serious delay we experienced in trying to complete the farm bill in a timely fashion.

We ask that the budget resolution provide additional discretionary spending to support the biofuels and bioenergy programs as authorized in the FCEA and as needed to meet national policy goals. We also ask that the budget resolution provide adequate discretionary funding for the important programs in our Committee's jurisdiction that rely on annual appropriations, such as food safety, nutrition, research, rural development, conservation operations, biomass research and development, renewable energy projects, and agricultural credit programs so we can meet these needs without having to resort to restrictions on mandatory funding.

We believe that current levels of federal spending on farm, nutrition, and related programs under this Committee's jurisdiction are well justified. The FCEA, enacted less than a year ago, reflects compromises hammered out through an arduous and lengthy negotiation, and received strong bipartisan support in both houses of Congress. We ask the Committee on Budget not to direct reduction in spending in these programs and to provide the requested funding for child nutrition programs.

Views and Estimates letter

Thank you for this opportunity to provide data, views and recommendations regarding the FY10 budget resolution process.

Sincerely,

Tom Harkin
Chairman

Saxby Chambliss
Ranking Republican Member

United States Senate
COMMITTEE ON APPROPRIATIONS
WASHINGTON, DC 20510-6025
http://appropriations.senate.gov

March 19, 2009

The Honorable Kent Conrad
Chairman
Committee on Budget
United States Senate
Washington, D.C. 20510

Dear Chairman Conrad:

We appreciate the challenges that you face in developing the Chairman's mark for the fiscal year 2010 budget resolution. The downturn in the nation's economy has made the challenges even greater at a time when the needs of the American people are growing. We urge you to consider the following recommendations related to the jurisdiction of the Committee on Appropriations:

- President Obama has requested $1.133 trillion for discretionary budget authority for FY 2010. Over the last eight years, funding for domestic programs has consistently been under funded. There are consequences of this failure to invest in America. Our infrastructure is crumbling. Agencies are unable to perform critical missions such as protecting our food supply and the safety of prescription drugs, providing health care to our veterans, and responding to natural disasters. Our regulatory agencies lack the resources to provide responsible oversight of securities and commodities markets, to respond to mortgage fraud, or to provide safe products such as toys for our children. Nor have we made appropriate long term investments in the education of our children, in job training, in health, or in promoting energy independence.

  All of these efforts will be instrumental in helping our economy rebound rapidly and grow for a sustained period of time. Therefore, we urge you to support the President's request (with appropriate technical adjustments for conceptual changes).

- For seven years, President Bush insisted on funding the wars in Iraq and Afghanistan as emergency supplemental appropriations. This practice must end. It is time for the Department of Defense to fund these activities within its annual budget, as is required by law. We urge you to include President Obama's $130 billion Overseas Contingency Operations request in the FY 2010 allocation to the Committee.

The Honorable Kent Conrad
March 19, 2009

- Finally, we strongly believe in funding program integrity efforts to eliminate fraud, abuse and waste and to collect taxes that are due, but this is best accomplished through providing the requested discretionary allocation, rather than a proliferation of cap adjustments beyond the four current adjustments.

We thank you for your consideration.

Sincerely,

Daniel K. Inouye
Chairman

Robert C. Byrd

Patty Murray

United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510–6050

March 13, 2009

Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Kent and Judd:

In accordance with your request, we are forwarding our recommendations for the fiscal year 2010 budget resolution. The President's budget submission of February 26, 2009, requests $533.7 billion in discretionary budget authority for the Department of Defense Military budget subfunction for fiscal year 2010 in the so-called "base budget", and an additional $130 billion for the FY2010 costs of operations in Iraq and Afghanistan, for a total request of $663.7 billion for discretionary programs. Unlike most years, we have none of the details of the budget request normally available when we have made recommendations in the past. We anticipate that meeting our national security requirements and providing for our men and women in uniform will require a combined total $664.6 billion for Department of Defense Military discretionary budget authority and outlays reflecting that level of budget authority, consisting of $663.7 billion in budget authority as requested by the President, plus $350 million for increasing the military pay raise to a level of 3.4% for all service members, and $500 million to fund the Acquisition Workforce Development Fund (AWDF). We recommend that you include these amounts (subject to any technical revisions by the Congressional Budget Office when their estimate is available) in the budget resolution for FY2010, subject to certain conditions detailed later in this letter.

We are pleased that funding for operations in Iraq and Afghanistan are included in the 2010 budget request as on-budget spending which will allow the Committee to fully authorize such costs. We are also pleased that the Administration's budget request will transmit detailed information supporting the $130 billion being requested.

We are also pleased that the Administration's FY2010 budget request will include changes in mandatory spending to reflect a proposal to modify current law to allow concurrent receipt of military retired pay and Veterans Disability Compensation by all retirees receiving disability retired pay. We support adding those amounts ($194 million in FY2010 and $5,405 million for FY2010 to FY2019, according to the Administration's documents) to the Armed Services Committee's allocation for mandatory spending.

We are concerned, however, about the Administration's intent to seek a pay raise for military personnel of 2.9% in FY 2010. We believe an additional 0.5% pay raise is important during this time of war to recognize the outstanding service and sacrifice of the men and women of the armed forces and their families. Therefore, we ask that your resolution include additional amounts sufficient to cover a pay raise of 3.4% for all service members, rather than the 2.9% the Administration will request. The Congressional Budget Office estimates that this additional 0.5% will cost $350 million in 2010, $2.3 billion over 5 years, and $5.0 billion over 10 years.

We would also be concerned if the Administration proposed to reduce the apparent cost of running the Defense Health Program in FY2010 by assuming discretionary savings based on a proposal to impose higher premiums and co-payments on military retirees -- a proposal that Congress rejected when it was requested in previous budgets.

We recommend that the resolution provide a mechanism to allow the Budget Committee to further adjust the spending limits of the resolution at a later date as additional information becomes available from the Administration. For example, we believe the mechanisms put in place in section 207 of the FY2008 budget resolution to provide for discretionary cap adjustments for the appropriate costs of overseas deployments and related activities, and the language in section 204 providing for emergency expenses, should be included in the FY2010 resolution. Since so little detailed information about the budget recommendation is available now, we recommend that you also consider language that would establish a procedure for revisiting the limitations in the resolution based on gaining insight into specific details of the President's budget proposals (e.g., such as a possible proposal for higher premiums and co-payments for military retirees as mentioned above) that are beyond the scope of overseas operations and emergency expenses.

As you know, GAO reported last year that cost overruns on DOD's 95 largest acquisition programs now total $295 billion over the original program estimates, even though we have cut unit quantities and reduced performance expectations on many programs in an effort to hold costs down. Each of the expert witnesses at our March 3, 2009 hearing told us that the single most important step we could take to tackle this problem is to address the shortcomings in the acquisition workforce. As one witness explained, "I believe it's the people. I think if we've undervalued the importance of this area in terms of promotion, in terms of experience, in terms of numbers all across the board, both civilians and military, that we're not going to get there even if we pass all the laws in the world. We need the people who are going to be driving this process. And that is my number one priority, and we have neglected it."

Section 851 of the National Defense Authorization Act for Fiscal Year 2008 established an Acquisition Workforce Development Fund (AWDF) – and authorized no less than $500 million in Fiscal Year 2010 and no less than $600 million each year thereafter – for the recruitment, training, and retention of acquisition personnel. We believe that the AWDF is critically important to addressing the Department's acquisition problems and will help save the taxpayers billions of dollars in the long run. For this reason, we ask your help in ensuring that the AWDF is fully funded in Fiscal Year 2010 and throughout the course of the Future Years Defense Program.

Finally, we have questions about the realism of the budget's estimate of $50 billion for overseas contingency funding for FY2011 with the sizeable number of forces planned to be conducting those contingency operations. We note that the President has committed to increased troop levels for Afghanistan for an indefinite time, and, although announcing reductions for Iraq, will maintain 35,000 to 50,000 personnel in that area as well.

We look forward to working with you to create a budget that supports our national security and the needs of our troops. Within those funding levels, we intend to craft a defense bill that approves only those funding requests that we believe are necessary and appropriate to meet those needs.

Sincerely,

John McCain
Ranking Member

Carl Levin
Chairman

United States Senate

COMMITTEE ON BANKING, HOUSING, AND
URBAN AFFAIRS

WASHINGTON, DC 20510–6075

The Honorable Kent Conrad, Chairman
The Honorable, Judd Gregg, Ranking Member
Committee on the Budget
Washington, D.C. 20510

Dear Chairman Conrad and Ranking Member Gregg:

The letter transmits the views and estimates of the Committee on Banking, Housing and Urban Affairs regarding the funding of programs in our jurisdiction, as required by Section 301 of the Congressional Budget Act of 1974.

Securities Markets Oversight and Investor Protection

The Committee on Banking, Housing, and Urban Affairs oversees the Securities and Exchange Commission (SEC) to ensure that it is fulfilling its role of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. I am concerned about whether the President's Fiscal Year 2010 (FY 2010) budget request provides adequate financial resources for the SEC to perform these vital responsibilities.

The United States' capital markets have been the most dynamic in the world but have been seriously damaged in the past year. The SEC plays a critical role in promoting the integrity and transparency of our markets. The SEC must have adequate financial resources to perform its responsibilities effectively. The current financial crisis demonstrates that the SEC needs to be strengthened for the protection of investors and the financial health of the country in the new market environment.

The SEC's budget in recent years has been shown to be inadequate to provide the agency with the proper staff, technology, and other resources to fulfill its mission. Problems that the SEC was not able to prevent in the securities markets include multi-billion dollar Ponzi schemes, broker-dealers making misleading representations in the sales of auction-rate securities, the failure and near-failure of the largest investment banks in the consolidated supervised entity program, the issuance of drastically inflated credit ratings on securitized debt products such as mortgage-backed securities by Nationally Recognized Statistical Ratings Organizations, and the apparent breakdown of risk management among systemically important securities firms.

Over the last several years, the SEC effectively has experienced a reduction in funding and full-time equivalent staff which has left it weakened in a time of need. SEC budget authority for FY 2009, $913 million, when adjusted for inflation was the same as that of FY 2005, representing a 7.5% ***decrease***. The President's budget for fiscal year 2010 (FY 2010) calls for a funding increase of 13% over the fiscal year 2008 level, to approximately $1.03 billion. While this increase is welcome, we believe that, given the importance at this time of well-regulated securities markets, the President's 13% increase in SEC funding falls short of what is necessary. The firms and products of today's markets are evolving at a rapid pace. To do its job effectively, the SEC needs to recruit and retain top caliber staff and technology, which is why we request an

FY 2010 budget of $1.096 billion for the SEC. We believe that to regain its top level of performance the SEC requires an increase in funding over FY 2008 levels of $190 million for new technology, staff and other needs. These increases should reinstate an equivalent level of staffing and technology as the SEC had several years ago. The Commission will need funds to improve the enforcement program (including processing of incoming tips), examinations of regulated entities, oversight of credit rating agencies, risk management analysis, management of Commission personnel, oversight of self-regulatory organizations, continuing education for professionals, oversight of municipal securities markets and other functions of the Commission.

Department of Housing and Urban Development (HUD)

The Committee is heartened that the Administration's budget recognizes the importance of Housing and Urban Development programs to our families and communities. After years of chronic underfunding, an Administration budget has arrived without proposing devastating cuts to housing programs supporting vulnerable families, senior citizens, and persons with disabilities. In addition, the President's FY10 budget contains significant proposals to preserve and increase the supply of affordable housing and help families facing foreclosure. The Committee strongly supports providing at least the $47.5 billion requested for appropriated programs within HUD by the Administration. Please provide at least this amount in your allocation to the Appropriations Committee. We also support the requested $1 billion in mandatory funding for the Affordable Housing Trust Fund and funding to expand and improve the HOPE for Homeowners program.

The ongoing crisis in the U.S. housing market is having ripple effects throughout our nation. Families are losing their homes—both homeowners and renters whose properties are being foreclosed upon. Those who can hold onto their homes have seen significant losses in equity, and many owe more on their mortgages than the value of their home. We will continue to work with President Obama to arrest the housing crisis and prevent foreclosures where possible. In the meantime, housing and community development programs must ensure that families have access to safe, affordable housing and that communities can address the rising number of abandoned and foreclosed-upon homes.

Housing programs currently assist millions of families around the country, including many of our nation's most vulnerable, particularly the elderly, the disabled, and children. Without housing assistance, many families would lack the stability to find and retain employment, and many children would be unable to adequately perform in school because of multiple moves or health problems resulting from inadequate housing, including asthma, poor nutrition, and lead poisoning. Research suggests that that the effects of homelessness on children are lasting, indicating that today's homelessness could scar children for years into the future.

Further, study after study indicates that the need for housing assistance is acute. The Joint Center for Housing Studies of Harvard University found in their report, "The State of the Nation's Housing 2008," that a total of 17.7 million, or one in six, U.S. households were spending more than half of their income for housing in 2006. The significant gap between the wages of low-income earners and housing costs - exacerbated by rising unemployment and additional tightening in many rental markets - makes evident that housing assistance is necessary for many working Americans.

Affordable Housing Trust Fund

The Committee strongly supports the Administration's request to capitalize the Affordable Housing Trust Fund with $1 billion in FY10. The Committee worked to authorize the Housing Trust Fund to finace the development, rehabilitation, and preservation of affordable housing for low-income households. As discussed above, funding the NHTF is particularly important at this time to meet America's severe housing needs. In addition, the Trust Fund will help create jobs in the hard-hit housing construction sector. Please include $1 billion in mandatory funding requested by the Administration within the budget resolution.

Public Housing

Public Housing provides a home to 1.2 million low-income American families, over half of which are headed by the elderly or persons with disabilities, and many of which include children. From FY04 – FY 08, local public housing agencies received less than 90 percent of the funding necessary to cover basic operations, including maintenance and security. This underfunding puts at risk the ability of housing agencies to provide safe and decent housing to the families living in public housing. We ask you to provide full funding for housing agency operations in FY 2010.

Despite the large historic federal investment in public housing, the federal government has failed to provide adequate funding to maintain this valuable affordable housing in recent years. The Capital Fund has been cut by hundreds of millions of dollars over the past few years, threatening the viability of this important housing stock. As a result of declining federal support, the public housing inventory faces an estimated $32 billion backlog of capital repairs. *The American Recovery and Reinvestment Act (ARRA)* made an important downpayment on eliminating this backlog. *ARRA* provided $4 billion for major capital repairs and energy efficiency retrofits in public housing. We urge the Committee to continue to improve public housing by restoring funding for the Capital Fund in the FY10 budget.

Section 8 Housing Vouchers.

The Section 8 housing voucher program is a public-private partnership that has successfully allowed millions of families to live where they choose in stable, safe housing. Over half of the 2 million families currently receiving voucher assistance are families with children. The President's budget indicates that it will increase the budget to support the voucher program. In addition, the budget states that it will introduce legislative reforms to increase the efficiency, predictability, and transparency of the voucher funding formula.

We look forward to working with the Administration to continue the restoration of the voucher program through a predictable formula and adequate funding. In 2007, Congress reinstated a predictable and efficient funding formula based on recent cost and utilization data.

This formula has helped restore many of the estimated 150,000 vouchers lost nationwide due to harmful formula changes promoted by the previous Administration from 2004 to 2006. In the current economic crisis, these vouchers are critical to connecting families with stable housing. Please provide sufficient funding in the FY10 budget to support the ongoing restoration of the voucher program and assistance to struggling families.

Project-Based Rental Assistance.

The Project-Based Rental Assistance program funds 1.3 million units of affordable housing. The Administration's budget proposes increased funding to preserve all 1.3 million rental assistance in FY10. An estimated $2 billion shortfall in program funding requests for FY07 and FY08 forced HUD to sign partial-year, rather than full-year, contracts with the owners of this housing. This "short-funding" of contracts had the effect of eroding private owners' confidence in the federal government as a partner and threatening owners' long-term participation in the program. Like the Administration, we believe that the program must be stabilized to help preserve thousands of units of affordable housing in coming years.

Please provide sufficient funding in FY10 to fully fund Project-Based Section 8 Rental Assistance contracts on a full-year basis. Given that some of these contracts extend beyond the fiscal year, the most prudent way to address this funding shortfall may be to provide an advance appropriation for FY11 for a portion of the funding.

Community Development Block Grants (CDBG) and HOME

HOME and CDBG are important, flexible programs through which communities are able to build housing for people across the income spectrum, provide rental assistance, rehabilitate housing and public facilities, and provide homeownership opportunities. Unfortunately, years of proposed HUD budget cuts under the prior administration have taken their toll on the funding for these programs. CDBG formula funding fell 17 percent from FY04 to FY08, while HOME funding fell 12 percent over the same period.

These programs are critical resources for communities seeking to stem foreclosures and to stabilize communities where foreclosures are clustered. Communities that have been stabilized over the last decade or so are now facing significant disinvestment as a result of the current foreclosure crisis, and HOME and CDBG should be increased to assist these communities so they do not fall further into distress.

We support the Administration's request for $4.5 billion to help restore Community Development Block Grant funding in FY10. We urge you to include increased resources in the FY10 budget so that communities can continue to meet their urgent housing and community development needs through the HOME and CDBG programs, while addressing the current foreclosure and housing crisis.

Homeless Assistance

On any given night in America, an estimated 744,000 people are homeless. Nationally, families with children make up 34% of the homeless population; an estimated 1.5 million children experience homelessness in the course of a year. Disturbingly, these statistics predate the current economic crisis, with its growing unemployment and tightening rental markets brought on by foreclosures.

HUD's Homeless Assistance Grants program provides funding for temporary, transitional, and permanent supportive housing solutions for homeless individuals and families. Funding awards pay for both new housing and renewal of existing housing resources. To begin to meet the challenges of the current economic crisis, *ARRA* provided \$1.5 billion to help local communities prevent homelessness or shorten its duration. For FY10, please fully fund HUD's homelessness program, including sufficient funding to renew existing programs and to continue to make progress toward ending homelessness.

Housing Counseling

The United States is experiencing the most severe housing crisis since the Great Depression. The Center for Responsible Lending, using MBA survey data, projects that US home foreclosures will total 2.4 million in 2009 and could rise to 8.1 million foreclosures over the next four years. In light of this severe and growing crisis, the Congress appropriated \$230 million in housing and foreclosure counseling in FY08, and provided another \$180 million for foreclosure counseling in *The Housing and Economic Recovery Act of 2008*.

Housing counselors play a key role in reaching out to delinquent borrowers, and guiding them through the complex process of dealing with their loan servicer in the hope that they may be able to get a loan modification, thereby keeping their homes. The funds provided by the Congress for FY08 are helping to create the infrastructure necessary to handle the approximately 2.3 million homeowners facing trouble in the subprime market alone. In light of the depth of the current crisis, we must maintain and strengthen this infrastructure. Therefore, we strongly urge the Committee to provide at least \$180 million for foreclosure counseling while maintaining our separate effort for housing counseling the FY10 budget.

Housing for the Elderly and Disabled

We urge you to provide full funding for housing programs serving our nation's seniors and persons with disabilities. The Section 202 program creates and maintains affordable housing for the elderly. As the senior population grows, we must ensure that more seniors can remain in their homes or find suitable alternative living arrangements. The growing senior population presents a challenge to our Nation, and we must ensure that today's budgets and policies do not undermine our ability to meet this challenge.

Similarly, the Section 811 program creates critical affordable housing for persons with disabilities. People with disabilities have great difficulty in finding and paying for stable supportive housing. The national average rent is higher than the average SSI payment, so a disabled person receiving SSI benefits is unable to afford housing without substantial additional income. Please provide no less than necessary to maintain current services in these programs for FY10.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was created in the *Housing and Economic Recovery Act of 2008* along with the Housing Trust Fund. The CMF is a competitive program, run by the Community Development Financial Institutions Fund. As passed, the CMF was to be financed with proceeds from Fannie Mae and Freddie Mac. Regrettably, those institutions are unable to make contributions to the CMF. For that reason, we ask that the budget resolution provide for $350 million for the CMF.

The statute calls for awards through the CMF to be leveraged at least 10 times. As a result, funds provided to the CMF will generate far more in the form of housing, child care centers, economic development projects and the like than would be expected from the federal investment alone. This kind of leverage is crucial in advancing federal goals in a cost-effective way. If adequately funded, the CMF will be an important new tool to encourage innovative new efforts for the creation of affordable housing and related economic development in communities across the nation. Furthermore, the CMF will concentrate resources in areas of extreme blight now being created in neighborhoods around the country by the foreclosure crisis and recession.

Regulatory Modernization

The Committee plans to conduct a comprehensive analysis of our current financial regulatory structure. Given the current financial markets and banking sector crisis, we believe that it is important to modernize our regulatory structure to both address current problems and to create a structure that will promote economic growth and stability in the future. While the operating budgets of our current bank regulators are not annually appropriated, it is possible that some of the changes that will accompany regulatory modernization may have budgetary effects.

Financial Stability

With the economy in the midst of a severe recession and the crisis continuing in our financial markets, we remain very concerned about the stability of our nation's financial system. Last year the Congress enacted and the President signed the Emergency Economic Stabilization Act (EESA) whose purpose was to provide assistance to stabilize our economy and our financial system. The President's budget contains a request for an additional $250 billion for economic stabilization and the Committee will be carefully monitoring these issues throughout the year.

Flood Insurance

The National Flood Insurance Program (NFIP) provides critical insurance coverage to over 5.5 million American properties. Until Hurricane Katrina and the other storms of 2005, the program was largely self-sustaining, paying for most claims through the premium income generated in the program. The 2005 hurricanes resulted in over $16.6 billion in claims to the program. In response, Congress increased FEMA's borrowing authority, and FEMA now owes almost $20 billion to the U.S. Treasury. FEMA does not generate sufficient premium to pay the principal or the annual interest on this loan. The National Flood Insurance Reform and Modernization Act adopted by the Senate last year forgives this debt so that the flood insurance program can continue to insure millions of families. While the bill was not enacted last year, we intend to reintroduce and adopt flood insurance reform legislation in this session of the 111th Congress. Please include a reserve fund for such legislation within the 2010 Budget resolution.

FEMA has not adequately updated flood maps around the nation, so families are unable to accurately assess their risks. The flood insurance reform bill significantly updates the map modernization program and authorizes $400 million annually to ensure thorough and accurate flood mapping. This increase in funding for map modernization is critical to the flood insurance program and to millions of Americans who need to know if they are in harm's way. We urge you to increase funding for map modernization.

Community Development Financial Institutions

We strongly support the Administration's FY2010 request for the doubling of funding for the CDFI Fund. The Treasury Department's CDFI fund was established to serve the nation's most economically distressed communities by providing capital, credit, and other financial services that are typically unavailable from mainstream financial institutions. The loans and investments made by CDFIs have leveraged billions of dollars from the private sector in development activities in financially underserved and low-wealth communities. Support for the CDFI industry through the CDFI Fund is particularly important this year, as our nation weathers the continuing turmoil in the credit markets. We urge the Budget Committee to restore funding to this important program.

Public Transportation

Through the transit program, the federal government supports states and localities in their efforts to develop multimodal transportation systems that meet the mobility needs of their citizens. In 2005, the Congress passed, and the President signed the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA) to reauthorize the federal surface transportation programs, including the transit program. We strongly support the investment level established by SAFETEA, which provided for growth in the transit program while maintaining the historical balance between highways and transit. This legislation will expire at the end of FY 09 and the Congress will have to enact authorization legislation this year, which will determine the investment level for transit over the next six years.

Given that transit ridership is at its highest level in over 50 years, our continued desire to reduce our dependence on foreign oil, and the developing consensus around the need to reduce our nation's greenhouse gas emissions while creating and promoting a robust transportation system, we believe that sustained increased investment in transit is in our nation's long-term interest. Safe and efficient transit systems provide significant benefits both to transit riders and to others in the community, including employers, property owners, the environment and automobile drivers. According to the Texas Transportation Institute, in 2007 Americans in urban areas spent 4.2 billion hours stuck in traffic, with an estimated cost to the nation of $78.2 billion in lost time and wasted fuel. TTI has estimated that without transit, the urban areas they studied would have suffered an additional 541 million hours of delay, which would have added more than $10.2 billion to the national cost of congestion.

Transit ridership is at the highest level in 50 years, as more and more people use transit to get to work, school, medical facilities, and retail and recreational areas. Robust support for transit is essential in light of this increasing demand. We hope that the Budget Resolution will include transit funding that reflects the record ridership and the increasingly important role transit plays in addressing many of the challenges facing our nation.

Given the important role that multi-year commitment authority plays in allowing state and local planners to adequate plan and implement transit systems, we reiterate our request that you reject the Administration's proposal to eliminate the budgetary protections that the mass transit program has benefited from since the enactment of TEA-21.

In addition, we encourage you to help protect the safety and security of our nation's transit riders by fully funding the transit security grant program authorized by the Implementing Recommendations of the 9/11 Commission Act, which passed last year. The 9/11 legislation provides additional resources, distributed on the basis of risk, directly to public transit systems to better protect against terrorist attacks and to mitigate the damage from any attack. Worldwide, transit is a top target of terrorist activities; in recent years we have seen attacks on transit systems in London, Madrid, and Mumbai. Despite this clear warning, our nation still is not properly prepared to face this threat, and a renewed commitment to invest in the security of our transit systems and their 14 million daily riders is crucial. We ask that you consider funding transit security at the level authorized in the legislation.

Thank you for your consideration.

Sincerely,

Chris Dodd

Chairman Christopher Dodd

United States Senate
COMMITTEE ON COMMERCE, SCIENCE,
AND TRANSPORTATION

WASHINGTON, DC 20510-6125

March 13, 2009

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
Senate Budget Committee
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg,

This letter provides the views of the Senate Committee on Commerce, Science, and Transportation regarding the fiscal year 2010 (FY 2010) Budget Resolution. These views are provided in response to your February 19, 2009 letter. Thank you for this opportunity to provide these views and recommendations regarding the FY 2010 budget resolution process.

Where applicable, I have tried to contrast our estimates with President Obama's FY 2010 Budget Blueprint. As you know, the Commerce Committee has a broad jurisdiction covering several departments and agencies, some of which have a small enough discretionary budget that they are not reflected in the President's budget blueprint.

Department of Transportation

Aviation

In the 111th Congress, the Commerce Committee will continue to work on reauthorization legislation for the Federal Aviation Administration (FAA) and the revenue sources that support the Airport and Airway Trust Fund (Aviation Trust Fund). Reauthorization legislation remains a high priority for the Committee as the authorizations for the FAA and the Aviation Trust Fund's taxes and fees initially expired at the end of FY 2007, and have since been extended through a series of short-term extensions. Modernizing the air transportation system will be the centerpiece of the

FAA reauthorization proposal, as the implementation of the Next Generation Air Transportation System (NextGen) is vital for improving the safety, capacity, and security of the system. The Administration's budget framework contains few details regarding the FAA's FY 2010 budget; however, the Administration specifically proposes $800 million for NextGen, and a $55 million increase of the Essential Air Service program.

The Airport Improvement Program (AIP) provides funding for key infrastructure projects at larger commercial service airports and serves as the primary source of infrastructure funding to smaller airports. The AIP received $3.515 billion in funding for FY 2008. The Senate version of H.R. 1105, the Omnibus Appropriations Act, 2009 (Senate Omnibus), proposes $3.6 billion for the AIP, an increase of 2.4 percent. The AIP also received $1.1 billion from P.L. 111-5, the American Recovery and Reinvestment Act of 2009 (Stimulus Package). The Committee recommends that AIP be funded at $4 billion in FY 2010 with $100 million dollar annual increases in the out years to continue the funding levels established in the last FAA Reauthorization bill. The Committee requests an allocation for contract authority to reauthorize the AIP program.

The Facilities and Equipment (F&E) account funds the FAA's air traffic control (ATC) infrastructure, including most of the cost of the development and implementation of NextGen. The F&E account received $2.5 billion in funding for FY 2008, and an additional $200 million in the 2009 Stimulus Package. The FY 2009 Senate Omnibus proposes $2.7 billion for F&E. While the FY 2009 proposal represents an increase of 8.4 percent from the FY 2008 enacted level, it is approximately $400 million less than the $3.1 billion average authorized from FY 2003 through FY 2007 by Vision-100 (P.L. 108-176). Given the FAA's escalating efforts to modernize the nation's ATC system – an effort estimated to cost about $1 billion annually over the next 20 years, the Committee recommends boosting F&E funding to $3.5 billion for FY 2010.

The Research, Engineering, and Development (R,E&D) account funds the advancement of new aviation technologies, including many of the core ATC systems being developed for NextGen. The R,E&D account received $147 million in funding for FY 2008. The FY 2009 Senate Omnibus proposes $171 million for R,E&D, an increase of 16.3 percent. While this represents a substantial increase in funding, it is significantly lower than previously authorized levels of approximately $350 million annually from FY 2005 through FY 2007. Since this account supports efforts to modernize the ATC system by funding NextGen development the Committee recommends funding R,E&D at a level of at least $200 million for FY 2010.

EAS and SCASD Programs

The Essential Air Service (EAS) program provides critical subsidies for air service to small and rural communities. Air service provides an important link between small communities and the rest of the world, playing a significant role in their economic development. Since deregulation of the airline industry, and particularly over the past several years of airline financial troubles, commercial airlines have increasingly limited their service to small communities. The ability of the EAS program to provide incentives for airlines to serve rural regions has also eroded as EAS funding has stagnated or been cut. The EAS program received $110 million in funding for FY 2008. The FY 2009 Senate Omnibus proposes $123 million for the EAS program, a 12 percent increase. Based on the limited detail of the budget framework, it appears the Administration proposes $165 million on EAS in FY 2010. The Committee recommends that EAS be funded at $175 million in FY 2010.

The Small Community Air Service Development (SCASD) program provides air service development assistance to small and medium sized communities to improve their levels of air service. As with EAS, the SCASD program increases the mobility of individuals in small communities and fosters economic development. The SCASD program received $8 million in funding for FY 2008. The FY 2009 Senate Omnibus proposes $10 million, a 20 percent increase. The Committee recommends that SCASD be funded at $10 million in FY 2010.

Auto Safety and the National Highway Traffic Safety Administration

As part of the reauthorization of the nation's surface transportation programs scheduled for this Congress, the Committee is developing legislation to reauthorize the auto safety programs within its jurisdiction. The safety of automobiles and our nation's highways remains the top transportation safety challenge facing the nation. Through the reauthorization of our safety programs, the Committee believes that additional funds may be needed in the following areas: vehicle safety and corporate average fuel economy (CAFE) programs and rulemakings, vehicle research, and administering the national driver registry. The National Highway Traffic Safety Administration (NHTSA) is in the middle of implementing the first major overhaul of the CAFE program for cars and light trucks in 35 years, a costly and complicated directive. In addition, the NHTSA has been tasked to create the first medium duty and heavy duty CAFE program, which will require considerable staff effort. The Committee also believes that additional funding may be needed to further vehicle research in the areas of motor-coach safety and plug-in hybrids, and for administering the national driver registry, which is now being accessed by other federal agencies and users.

For the auto safety programs within the Committee's jurisdiction, the Committee recommends that the budget resolution allocate no less than the contract authority amount equal to the enacted FY 2009 baseline, adjusted for inflation, for these programs in FY 2010. As the Committee develops its proposal for the reauthorization of these important safety programs, we will keep the Budget Committee abreast of our proposals and any expected impact they may have on the budget.

Motor Carrier Safety Programs and the Federal Motor Carrier Safety Administration

As part of the reauthorization of the nation's surface transportation programs planned for this Congress, the Committee is developing legislation to reauthorize the Federal motor carrier safety programs, as the safety of the nation's trucks and buses remains a significant national concern. In 2007, 4,808 individuals were killed in crashes involving large trucks and buses and the number of truck-related injuries and fatalities has remained consistently high for the past 10 years, despite a Congressional directive to reduce motor carrier fatalities by 50 percent in that time span. The Federal Motor Carrier Safety Administration (FMCSA), created by Congress in 1999, is responsible for commercial truck and bus safety and has the primary mission of reducing crashes, injuries, and fatalities involving commercial motor vehicles by setting minimum safety standards and granting operational authority to commercial motor vehicles.

For the motor carrier safety programs, the Committee recommends that the budget resolution allocate no less than the contract authority amount equal to the FY 2009 baseline, adjusted for inflation, for these programs in FY 2010. As the Committee develops its proposal for the reauthorization of these important safety programs, we will keep the Budget

Committee abreast of our proposals and any expected impact they may have on the budget.

The Highway Trust Fund and Transportation Trust Fund Scoring

The looming insolvency of the Highway Trust Fund (HTF), which provides funds for the auto and motor carrier safety programs within the Commerce Committee's jurisdiction, requires that significant steps be taken to reposition our transportation investment programs on a firm financial footing. We are generally concerned about the future of our transportation financing system and believe that a serious effort must be made to fix what has become a broken system, given the expected $20 billion shortfall facing the HTF at the end of FY 2010. As Congress and the Administration work to address this challenge, the critical safety programs within the Committee's jurisdiction, which represent only a small portion of total HTF spending, should continue to be fully financed by the HTF and should be unaffected by the predicted shortfalls.

Additionally, the President's Budget reflects a proposal by the Office of Management and Budget (OMB) to change how programs funded by contract authority are treated for budget scoring purposes. Currently, the highway, transit, and airport grant programs are funded by contract authority, a form of mandatory budget authority, derived from the HTF and the Aviation Trust Fund. OMB proposes to no longer score contract authority as budget authority, but rather to score the obligation limitations that are imposed on these programs in annual appropriations acts as discretionary budget authority.

The Committee strongly opposes this proposed scorekeeping rule change and any other budget process reform that fails to recognize the unique nature of Trust-Funded programs. Such a rule would essentially convert the mandatory contract authority that currently funds our highway, transit, and airport grant programs to a simple authorization of appropriations for budget scoring purposes. While proponents of such a scorekeeping rule change argue that it would increase Trust Fund transparency, it would in fact do the opposite, by further merging Trust-Funded programs with non-Trust-Funded programs in the budget process. If any budget process reforms are to be made, they should serve to increase the separation of Trust-Funded programs from non-Trust-Funded programs.

Amtrak, Rail Safety, and High-Speed Rail

Amtrak's FY 2010 Federal funding request totals $1.963 billion. Amtrak's request includes $580 million for operations, $975 million for capital programs, $264 million for debt service payments, and $144 million in order to meet the Americans with Disabilities Act compliance deadline. In addition to Amtrak's request, the President's Budget requests capital funding for high speed rail development, requesting $1 billion in FY 2010 as part of a five-year, $5 billion investment effort.

The Committee recommends that Amtrak be funded at these levels, which are consistent with the authorized amounts in P.L. 110-432, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). The Committee also recommends fully funding the PRIIA–authorized passenger rail grants programs, including $300 million for capital investment grants to states, $1 billion for capital grants to Amtrak and the states for high-speed rail development, as requested by the President, and $50 million in congestion grants.

Railroad Safety and the Federal Railroad Administration

The Rail Safety Improvement Act of 2008 authorizes $245 million to the Federal Railroad Administration (FRA) to carry out railroad safety improvements and programs. The Committee recommends fully funding this agency at the authorized level, including at least $34 million for the FRA safety research and development efforts. Additionally, the Committee recommends fully funding the $50 million authorized for rail safety technology grants. These grants are available to help railroads install Positive Train Control systems on certain railroad lines over which certain hazardous materials and passengers travel.

Pipeline and Hazardous Materials Safety and the Pipelines and Hazardous Materials Safety Administration

The Committee recommends funding levels in the FY 2010 budget for the Pipelines and Hazardous Materials Safety Administration (PHMSA) consistent with the authorized levels enacted in the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act). The PIPES Act authorizes $96.58 million in FY 2010 to carry out the agency's pipeline safety programs, including $20 million from the Oil Spill Liability Trust Fund. Additionally, the Act authorizes $10 million in grants for emergency response training; $1 million in grants for community technical assistance relating to pipeline safety; and $1 million for the One Call grant program.

For PHMSA's hazardous materials safety programs, the Committee recommends that the budget resolution allocate no less than an amount equal to the enacted FY 2009 baseline, adjusted for inflation, for these programs in FY 2010. As part of the reauthorization of the nation's surface transportation programs scheduled for this Congress, the Committee is developing legislation to reauthorize the hazardous materials safety programs. As the Committee develops its proposal for the reauthorization of these important safety programs, we will keep the Budget Committee abreast of our proposals and any expected impact they may have on the budget.

National Infrastructure Bank

As indicated by our comments relating to the Highway Trust Fund, the Committee is interested in new and creative options for funding surface transportation investments. The President's proposal for creating a National Infrastructure Bank that could help finance priority projects of national and regional economic benefit might be such an option and the Committee is open to discussing the merits of this idea. The President's budget proposes funding such a bank at $5 billion annually for the next five fiscal years. The Committee withholds its support for this effort pending a more detailed description of the Bank's possible structure and functions. While the Committee may eventually support such an entity, any investments and financial assistance made available by such a Bank to fund transportation infrastructure would need to be directed by the Secretary of Transportation, pursuant to authorizations considered by our Committee, in order to ensure consistent and coordinated Federal transportation policy.

Freight Mobility Program

As part of the reauthorization of the nation's surface transportation programs scheduled for this Congress, the Committee is developing legislation to authorize a new freight mobility program to fund freight-related infrastructure investments of regional and national significance. To address the growing needs related to the efficient movement of freight throughout the nation and to maintain our country's global competitiveness, the

Committee believes a dedicated program and commiserate funding must be provided to finance highway, port and maritime, rail, and pipeline projects that improve interstate commerce and provide significant public benefits. The Committee envisions that such a program would be funded through some combination of user-fees, excise taxes, and general revenues and that those fees, taxes, and revenues would be deposited in a distinct trust fund or an account within the Highway Trust Fund. Thus, the Committee requests that a reserve fund be created to allow for the revenues generated through such program to be spent on such a program consistent with the Budget Act. As the Committee develops its proposal for the reauthorization of these important safety programs, we will keep the Budget Committee abreast of our proposals and any expected impact they may have on the budget.

Discretionary Surface Transportation Grant Program

The American Recovery and Reinvestment Act of 2009 created a new and competitive discretionary surface transportation program to fund nationally and regionally significant transportation improvements. The funding provided by this program will be used to finance significant and consequential projects in both urban and rural communities -- projects that have a true national, regional, or metropolitan area impact, create jobs, and spur economic growth. The program is flexible and multi-modal, with funding available for major highway, transit, rail, and port initiatives. From improvements to rural collector roads to port infrastructure projects, this program will help ensure that this recovery package invests in projects that significantly increase the mobility of people and goods.

The Committee recommends that if the proportion of general funds used to funds surface transportation is increased in this Fiscal Year, that this program be funded at $3 billion in FY2010 and be subject to an authorization developed by our Committee.

Department of Commerce

National Oceanic and Atmospheric Administration

The National Ocean and Atmospheric Administration's programs and services support key U.S. industries, including commerce and maritime transportation, fisheries agriculture, energy, manufacturing, and construction. The Committee requests that the FY 2010 budget provide $5 billion for NOAA to fund programs that are critical to improving our response to climate change, managing oceans and coastal resources, and strengthening our scientific understanding of oceans and atmosphere.

The National Oceanic and Atmospheric Administration's (NOAA) is the federal agency principally responsible for helping the nation understand and predict changes in Earth's environment, including forecasting weather and climate. It is also responsible for managing coastal and marine resources to meet our Nation's economic, social, and environmental needs. Six line offices execute these core missions: (1) the National Environmental Satellite, Data, and Information Service; (2) the National Marine Fisheries Service; (3) the National Ocean Service; (4) the National Weather Service, which also supports the National Hurricane Center; (5) the Office of Oceanic and Atmospheric Research; and (6) the Office of Program Planning and Integration.

The Department of Commerce estimates that at least one-third of the U.S. Gross Domestic Product is sensitive to weather and climate variability. A variety of stakeholders from the business sector to resource managers use NOAA's weather and climate data and products to improve decision-making. Weather and water extreme events, including droughts, hurricanes, tornados, flooding, wildfires, and other events cause $11 billion in damages each year to the United States. NOAA provides weather, hydrologic, and climate forecasts and warnings for the protection of life and property and the enhancement of the national economy. NOAA's role in understanding, observing, forecasting, and warning of environmental events is expanding. This directly benefits our communities and our economy as NOAA is able to improve the predictability of the onset, duration, and impact of hazardous and severe weather and water events and reduce uncertainty.

A priority of the Committee is improving NOAA's weather forecasting and enhancing and improving NOAA's ability to understand and predict the consequences of climate variability and to provide climate products and services to enhance public and private sector decision making. The Committee supports the President's budget request of $1.3 billion to fund the development and acquisition of vital weather satellites and climate sensors. The Committee also supports efforts within NOAA to create a climate service and improve the agency's observation, climate modeling, analysis, and data stewardship.

Another Committee priority is the progress on the implementation of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act of 2006. Our nation's fisheries contribute approximately $185 billion annually to state economies. Maintaining sustainable commercial and recreational fishing industries is vital to sustaining jobs, local business and tourism essential to the American consumer, coastal communities and the economy overall. Insufficient funding for implementation of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act is hindering management and enforcement efforts to the detriment of our nation's fisheries. The Committee is pleased that the President's budget proposes to fully fund implementation of the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act and its requirements to eliminate overfishing by 2011. To meet the national and regional mandates, the National Marine Fisheries Service needs $80 million.

The 95,000 miles of coastline and 3.5 million miles square miles of coastal, Great Lakes, and deep-ocean waters that NOAA is responsible for provide critical ecological and economic services. Maintaining the safety, health and productivity of our ocean, coastal and Great Lakes resources is an enormous responsibility. Despite this significant mandate, NOAA has received flat funding for the past four years. NOAA's flat budget has eroded funding for core services and prevented investment in research, monitoring, and management activities. Therefore, the Committee believes that additional funding is necessary for NOAA to adequately implement its existing marine and atmospheric programs, as well as take on new responsibilities to help the nation understand, respond, and adapt to climate change and climate variability. Increased funding for NOAA is needed to strengthen scientific research and exploration that determines management decisions affecting fisheries management, coastal development and resiliency, ecosystem protection, and climate adaptation.

Funding is also necessary to modernize infrastructure, including satellites, ships and aircraft, ocean, coastal and atmospheric observation systems, and computer systems to integrate data and model changes in the climate and ocean. Lastly, funding increases are necessary for programs to protect ocean and coastal resources, as well as for restoration activities for these ecosystems when damaged. The Committee recommends an increase of approximately 15 percent over FY 2009 enacted levels, or $5 billion.

National Telecommunications and Information Administration (NTIA)

As the President recognized in his budget, a major focus of the NTIA will be the broadband related grant programs authorized by the America Recovery and Reinvestment Act of 2009 (ARRA). The ARRA provides for administrative funding related to the Broadband Technology Opportunities Program and the Committee intends to engage in vigorous oversight of the program. With respect to other NTIA programs, the President has yet to propose a specific budget. We understand, however, that the Administration may be considering defunding the Public Telecommunications Facilities Program (PTFP). The PTFP is a competitive grant program designed to assist public broadcasting stations, state and local governments, Indian Tribes, and nonprofit organizations bring educational and cultural programming to the public. The Committee supports the continued funding of this program.

National Institute of Standards and Technology

The President's FY 2010 budget request for the National Institute of Standards and Technology (NIST) is $847 million, which is $28 million (or 3.4 percent) above the FY 2009 amount of $819 million included in the Omnibus Appropriations Act, 2009. The request provides $535 million for the NIST Scientific and Technical Research and Services account (commonly known as the NIST Laboratories), which constitutes the bulk of the agency's research effort. This amount is $63 million above the FY 2009 amount of $472 million. The funding would provide for a major new initiative to develop the standards and metrology for the Smart Grid, a critical component of the President's economic recovery plans.

The request also provides $70 million for the Technology Innovation Program (TIP) and $125 million for the Hollings Manufacturing Extension Partnership (MEP). TIP provides grants to companies to help bridge the "valley of death" in funding and accelerates the development innovative high-risk, high-reward technologies. This support is especially important in this difficult economic climate where there is limited venture capital funding to support small business innovation. The President has also followed through in his support for small and medium sized manufacturers with an MEP request that represents a 13.6 percent increase over the FY 2009 amount of $110 million. The MEP program is critical for the country to maintain its manufacturing capability and to maintain its global competitiveness. Finally, the request provides $117 million for the Construction account, which will go to renovating some of the decades old facilities. The Committee supports the full allocation of the President's FY 2010 budget request for NIST.

Department of Homeland Security

Coast Guard

The Committee recommends a budget of $9.5 billion for the U.S. Coast Guard, to fully fund and support the 11 security and non-security missions of the agency. In recent years, the Coast Guard has been required to do more with fewer resources, which has resulted in diminished capabilities, limited operational assets, and inadequate personnel levels. The Committee will consider the Coast Guard Authorization bill of 2009 this Congress, which is an annual reauthorization of the Coast Guard's funding levels and also includes authorizations for new programs and legal authorities sought by the Coast Guard and Committee members to enhance the homeland security, marine safety, and environmental protection missions of the Coast Guard. Specifically, the bill will underscore certain Committee priorities including increases in funding to support oil spill prevention, preparedness, and response, maintaining LORAN-C while transitioning to eLORAN, and support for ongoing acquisition initiatives including Deepwater and Rescue 21, among others. Operating under the limited budget of the previous Administration resulted in the Coast Guard having to force deficiencies, offset programs, and delay necessary maintenance and projects. Supporting a $9.5 billion Coast Guard budget will provide a strong foundation for the Coast Guard to implement the security and non-security missions of the Agency.

Transportation Security Administration- Increase in Passenger Security Fee

Currently commercial aviation passengers pay a $2.50 security fee per segment flown, limited to $5 per 1-way trip. The Administration estimates this fee structure covers about 36 percent of the cost of aviation security. To minimize overall costs to the taxpayers, the Administration is proposing to increase the passenger security fee beginning in 2012. The proposal does not specify the amount of the increase, but notes that the new structure would cover a "majority" of the costs of passenger and baggage screening. This proposal to increase fees on passengers is similar to others that have been rejected by the Congress in the past.

The Committee recommends providing the necessary resources to meet the requirements the Congress laid out in P.L. 110-53. This legislation included a number of provisions that direct the TSA to focus on components of aviation security identified as potential threat areas in the 9/11 Commission Report. P.L. 110-53 also mandates that air cargo security measures be implemented to make certain that 100 percent of air cargo is screened within three years of the law's enactment. The bill also allocated $250 million annually for the installation of in-line explosives detection systems.

Maritime Security

The SAFE Port Act required the Coast Guard to establish Interagency Operation Command Centers (IOCC's) at all high priority ports within three years from the date of enactment. The IOCCs coordinate with federal, state, and local jurisdictions stationed at each port area to co-locate assets and resources to improve interagency cooperation and to share intelligence information in the maritime domain. Congress appropriated $60 million in P.L. 109-347 to execute this critical maritime security mission. However, the President's budget and the FY 2009 Omnibus Appropriations Act only provided $1 million toward implementing this requirement. The Committee recommends funding the Interagency Operations Command Center program at $60 million for FY 2010.

The SAFE Port Act established an authorization level of $400 million for the Port Security Grant Program (PSGP) that was created within the Maritime Transportation Security Act of 2002 (MTSA). The PSGP was established to: (1) provide assistance to port facilities in implementing their facility and area security plans by upgrading security infrastructure; (2) provide compensation for U.S. Coast Guard mandated security personnel;

and (3) deploy cargo security screening equipment. According to a U.S. Coast Guard notice on December 30, 2002, in the Federal Register, the total cost of implementing security in our seaports will reach $7.2 billion over the next ten years. The Committee recommends funding the PSGP at the fully authorized amount of $400 million for FY 2009.

Rail and Surface Transportation Security

The Committee recommends that the Department of Homeland Security's and Department of Transportation's railroad and surface transportation security initiatives and grants be funded at the authorized levels enacted in P.L. 110-53. P.L. 110-53 authorizes $508 million for Amtrak and freight railroad security, $27 million for over-the-road bus security, and $12 million for pipeline and hazardous materials transportation security efforts and grants. Additionally, the Act authorizes $55 million to the Secretary of Transportation for DOT rail and surface transportation security efforts in FY 2010.

Independent Agencies

Federal Communications Commission

The President has yet to propose a budget for the FCC. As part of the FY 2009 Omnibus, Congress appropriated $341.9 million for the FCC. This included several short-term initiatives that will not continue into FY 2010. As a result, we anticipate that the President will seek a funding level slightly below the FY 2009 level. As part of the request, we anticipate the President seeking $15 million to improve the FCC's information technology (IT) systems, increased funding for staffing as well as cost of living increases, and funding related to low power digital television transition efforts. The Committee supports those increases. In particular, the Committee recognizes that the FCC's IT system is dated and fails to provide consumers with adequate access to agency held information.

The FY 2010 budget outline includes several proposals related to spectrum policy that are designed to raise revenue. These proposals are similar to initiatives sought by the former Administration that the Budget Committee has rejected in the past. The Commerce Committee continues to have significant concerns regarding the fund raising proposals.

First, the budget outline seeks permanent spectrum auction authority for the FCC as well as authority to auction domestic satellite spectrum. The technical feasibility and policy implications of the fees and authority sought by the President should be closely examined as they may harm consumers and inhibit the expansion of nascent technologies. For example, because of the inherent international nature of satellite services, the auctioning of domestic satellite spectrum may lead to retribution by other nations. In addition, it creates arbitrage possibilities as companies may seek to use international satellite slots to serve the U.S. in lieu of bidding for domestic satellite spectrum.

Second, the budget outline anticipates a dramatic increase in spectrum license user fees. Without providing detail, the budget anticipates that user fees will increase from $50 million to $550 million within four years. As a result, prices for consumer services may increase as companies transfer the higher operating expenses. Any fee increases of such magnitude should be examined carefully to assess the impact on Americans during these difficult economic times.

Corporation for Public Broadcasting (CPB)

The President has yet to propose a budget for the CPB. Congress provides advanced appropriations for the CPB and in the FY 2009 Omnibus appropriated $430 million for FY 2011. We understand that the CPB has proposed to the Office of Management and Budget an appropriation of $542 million for FY 2012.

In addition, CPB, the Association of Public Television Stations, National Public Radio, and Public Broadcasting Service, has sent a letter to the Office of Management and Budget requesting the inclusion of $307 million in supplemental funding for CPB in the President's FY 2010 budget.

Consumer Product Safety Commission

The President's FY 2010 budget framework does not include a proposed funding level for the Consumer Product Safety Commission. The Commission, in a February 2, 2009, letter to the Director of the Office of Management and Budget proposed $109 million for FY 2010. This is $9 million less than the authorized Commission funding level of $118 million as set in the Consumer Product Safety Improvement Act (CPSIA), P.L. 110-314. Given the importance of the agency's mission to protect consumers as well as its increased workload in implementing the safety standards and rulemakings set in the CPSIA, the Pool and Spa Safety Act, and the Children's Gasoline Burn Prevention Act, the Committee recommends fully funding the Commission to the FY 2010 authorized level of $118 million.

Federal Trade Commission

The Federal Trade Commission (FTC) was not included in the President's FY 2010 budget framework. The Commission will receive in FY 2009 $259.2 million based on the funding level in H.R. 1105, the Omnibus Appropriations Act of 2009. Last Congress, in preparation for reauthorization, the Committee consulted with the FTC to ascertain agency needs for the setting of authorization levels until FY 2015. From the Committee's work, it was anticipated that the Commission should receive $310.4 million for FY 2010, which is an increase of approximately $50 million above the enacted FY 2009 funding level. The Committee anticipates that these additional funds would be used to improve technology in support of the Commission's competition and consumer protection missions; and to continue and enhance the Commission's provision of international technical assistance with respect to foreign consumer protection and competition regimes.

In addition, the Committee may propose that the FTC receive in addition to the approximately $50 million above the estimated FY 2009 level, $11 million to fund approximately 50 Full Time Employees (FTEs) for investigating and litigating consumer protection enforcement actions in the financial services area. The FTC would likely require additional funds to cover litigation costs for contracting expert services.

National Aeronautics and Space Administration

The President's FY 2010 budget request is $18.7 billion, a five percent increase over the FY 2009 appropriations included in the Omnibus Appropriations Act, 2009. In addition, the agency has received an additional $1 billion through the American Recovery and Reinvestment Act for 2009 and 2010. The FY 2010 request, combined with the stimulus funding, would bring the agency's total to within $500 million of what Congress authorized for FY 2009 in the NASA Authorization Act of 2008.

This funding would support the robust development of Earth science research satellites, which will aid in the nation's effort to understand and monitor the effects of global climate change. It would also support aeronautics research to advance aviation safety through the development of the NextGen air traffic control system, improve the fuel efficiency of jet engines, and reduce noise and emissions. The funding also provides for an additional Space Shuttle flight, as authorized by Congress, to deliver scientific experiments to the International Space Station provided the mission can be completed before the Shuttle's 2010 retirement.

The Committee supports the budget allocation as proposed by the President. However, the Committee is concerned with the longer-term budget projections, which show flat funding at $18.6 billion from FY 2011-FY 2013, with a slight increase in FY 2014 to $18.9. This flat funding profile will have a profound impact on the agency's ability to complete development of the next generation human space flight vehicle on schedule without affecting the other mission directorates.

National Science Foundation

The President's FY 2010 budget request for the National Science Foundation (NSF) provides $7 billion for national science and technology priorities. This request builds on a trend initiated by the America COMPETES Act. The President's out year projections continue the trend of increasing NSF's funding to $9.7 billion in FY 2014. This projection is consistent with the President's commitment to investing in the country's science, technology, engineering, and mathematics priorities. The Committee strongly supports the full allocation of the President's FY 2010 budget request for NSF.

Greenhouse Gas Emissions Cap and Trade Revenues

The President's budget proposes a cap and trade program to reduce greenhouse gas emissions and assumes revenues of $78.682 billion starting in FY 2012. If the Budget Committee assumes this revenue in the Budget Resolution, we request that the Committee set aside sufficient revenue from the emissions trading system to support coastal and ocean adaptation programs, funding for federal climate science, the creation of a National Climate Service led by the National Oceanic and Atmospheric Administration, the development of standards for a cap and trade regime, and supplemental funds to augment the National Highway Traffic Safety Administration's (NHTSA) Corporate Average Fuel Economy (CAFE) programs and to increase NHTSA's grants to automakers to produce advanced technology vehicles and components.

Even if we take action now to reduce greenhouse gases, many scientists anticipate that climate change expected from carbon dioxide emissions in the first half of the 21st century will be largely irreversible for a millennium. While many are already feeling the impacts of climate change, climate change will affect every segment of our society from human health to ecosystem services and from agriculture to manufacturing. As a nation, we need to be proactive in helping communities prepare for and adapt to climate change because the costs of inaction are far greater than taking steps now to address this pressing issue. There is a need at the state and local level for substantial Federal assistance in developing and implementing strategies to address the impact of climate change. In addition, the General Accounting Office found that the Federal agencies responsible for managing natural resources are not properly equipped with the tools or resources necessary to account for the impact of climate change in carrying out their management responsibilities. Funding from emission revenues dedicated to climate adaptation programs to help communities and resource managers effectively manage climate risks is critical to our nation moving forward.

To mitigate and adapt to climate change, we need sound science that is essential to informing policy decisions. Improved observation systems, data collection and analysis, and modeling are needed to increase our understanding of climate variability and change and to provide climate assessment, products, and services. The Committee intends to reauthorize the Global Change Research Act to improve basic research and information that the Federal government develops on climate change, to provide a comprehensive and integrated U.S. research program, and to conduct regular scientific assessments on climate. Funding from emissions revenue should also be dedicated to climate change research programs throughout the Federal government to improve our understanding of climate variability and climate change and to enhance our ability to provide decision-makers with the information they need for sound management decisions.

The Committee believes revenue funds should be dedicated to the creation of a National Climate Service led by the National Oceanic and Atmospheric Administration. This Service is central to building the link between science and decision-makers. We need to begin preparing for and adapting to climate change as well as mitigating the severity of climate change and a National Climate Service will facilitate this. Currently, our nation lacks the ability to provide to the public and businesses the diverse range of climate information that would benefit decision-making at the local, regional, and national level. A National Climate Service will provide information to the nation and the world to assist in understanding, anticipating, and responding to climate, climate change, and climate variability. It will also produce and deliver authoritative, timely, and useful information for the management of climate-related risks and opportunities, as well as local, state, regional, tribal, national, and global impacts. A National Climate Service will be used by decision-makers to promote economic vitality, promote environmental stewardship and sustainability, and protect life, health, and property.

Measurement technologies will be necessary to determine if climate change mitigation and adaptation technologies are indeed functioning as intended, and that goals are being met. Planners, decision-makers, and other stakeholders need standards and metrics to accurately monitor and verify that a specific proposal or initiative is working. A cap and trade regime is the most widely discussed approach to limiting CO_2 emissions, but such a market cannot be created if there is no standard determining exactly what constitutes a ton of CO_2 and how that will be measured. Cap and trade participants will not be able to reliably buy, sell, and trade CO_2 without such standards. Measurement technology also allows operators and auditors to determine that carbon capture technologies are functioning and that excess CO_2 is not released into the atmosphere. Funding from emission revenues should be directed to the National Institute of Standards and Technology to develop these standards and measurement technologies.

Lastly, revenue should be allocated to supplement funds for the administration of the vehicle fuel efficiency programs at the NHTSA. The car and light truck CAFE program is expected to reduce carbon dioxide emissions by at least 521 million metric tons and save nearly 55 billion of gallons of fuel consumption. The NHTSA also is creating the first ever fuel economy program for medium duty and heavy duty vehicles. Taken together, fuel economy savings will have a direct and measurable impact on our environment through reduction in carbon emissions. These programs should be implemented based on the best scientific evidence and according to the maximum technological feasibility of improving the fuel efficiency of the nation's vehicles. The Committee believes that substantially increased funding should be directed to the administration for these programs in order to make certain that fuel efficiency standards are set at the highest possible rates. The Committee also believes that additional funding should be set aside to increase NHTSA's grant programs to manufacturers for retooling, reequipping, or expanding existing manufacturing facilities in the United States to produce advanced technology vehicles and components.

Sincerely,

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510-6150

ENERGY.SENATE.GOV

March 12, 2009

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510-6100

Dear Chairman Conrad and Senator Gregg:

This letter responds to your request of February 19 for the views and estimates of the Committee on Energy and Natural Resources on the President's budget "blueprint" for fiscal year 2010. The President's blueprint proposes to accelerate the transition to a clean energy economy, increase renewable energy capacity, improve the efficiency of homes and buildings, and secure energy independence for our country. We generally share the President's broad goals and have begun crafting legislation that we believe will implement much of the President's vision. We hope to report a comprehensive energy bill to the Senate in the next few weeks.

The Department of Energy

The President's blueprint proposes a budget of $26.3 billion for the Department of Energy in fiscal year 2010. It would double the federal investment in basic sciences, and would provide funds to guarantee loans for innovative energy technologies, develop carbon capture and storage technology, modernize the electric transmission grid, and accelerate the development and commercialization of clean energy technologies. We generally support each of these proposals.

The Department of the Interior and the Forest Service

The President's blueprint proposes $12 billion in discretionary appropriations for the Department of the Interior in fiscal year 2010. It proposes to increase funding for the national parks, fully fund the Land and Water Conservation Fund programs by 2014, establish a discretionary contingent reserve account to help ensure that sufficient funding is available to fight wildfires, invest in our clean energy future, ensure responsible production of energy from federal lands, increase revenues from the development of federal mineral resources, and conserve western water resources.

We generally support these proposals as well. In particular, we welcome the Administration's decision to establish a dedicated fund for wildfire suppression, which will help to avoid some of the significant financial and natural resource costs associated with the practice of cutting funding for other Forest Service programs to fund the escalating and unbudgeted costs of wildfire suppression. The Committee plans to consider complementary legislation that would create a separate account to absorb funding for the large majority of emergency wildfire costs, leaving a smaller amount of funding within the Forest Service's operational budget to cover non-emergency wildfire suppression costs. In addition, some members of the Committee support the Administration's efforts to ensure that federal taxpayers receive a fair return on offshore oil and gas production, and we expect the Committee to consider those within its jurisdiction.

Budget Assumptions

We agree that the energy proposals in the President's budget blueprint will have positive budgetary impacts, by reducing energy bills, creating jobs, increasing building efficiency, and facilitating the development of clean energy technologies. Paradoxically, however, current budget assumptions tend to overstate the financial risk and cost of developing and deploying new energy technologies and understate their long-term economic benefits. These assumptions have posed an insurmountable barrier to legislative efforts to extend from ten to thirty years the permissible term of power purchase agreements used by federal agencies to acquire renewable energy, and to pay the credit subsidy cost of loan guarantees for innovative energy technologies under title XVII of the Energy Policy Act of 2005. We believe that current budget assumptions must be revised if the clean energy economy outlined in the President's budget blueprint is to become a legislative reality.

Reserve Funds

As previously stated, the Committee has already begun work on comprehensive energy legislation to implement many of the energy proposals in the President's budget blueprint to reduce our Nation's dependence on imported energy, produce jobs, improve energy efficiency, and promote clean energy technologies. In addition, the Committee expects to consider legislation to preserve and protect our national parks, establish a dedicated fund to fight wildfires as already discussed, and to fulfill the purposes of the San Joaquin River Restoration Settlement Act and the Northwestern New Mexico Rural Water Projects Act. We respectfully request the opportunity to work with the Committee on the Budget to craft appropriate reserve funds for each of these items for inclusion in this year's budget resolution.

Yucca Mountain

Finally, we note that the President's budget blueprint proposes to abandon further work on the Yucca Mountain nuclear waste repository. The Omnibus Appropriations Act, 2009, implements this proposal, effectively ending a quarter of a century's work, and leaving the Nation with no alternative plan for permanently disposing of the spent fuel from commercial nuclear power plants, spent fuel from the Navy's nuclear ships and submarines, or high-level radioactive wastes from the Department of Energy's defense programs.

The Department of Energy is contractually obligated to dispose of the spent fuel from commercial nuclear power plants "beginning not later than January 31, 1998." The courts have already found the Department to be in partial breach of those contracts as a result of its failure to meet the contractual deadline and have awarded utilities several hundred million dollars in damages for the Department's partial breach. The Committee on the Budget should be aware that the Government could be held liable for much larger sums, including the repayment of over $16 billion in fees collected from the utilities and nearly $14 billion in interest, if the courts find the Government to have totally breached the contracts as a result of abandoning work on the Yucca Mountain repository.

We appreciate this opportunity to provide our views and estimates to your Committee and look forward to working with you.

Sincerely,

Jeff Bingaman
Chairman

Lisa Murkowski
Ranking Member

United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510–6175

March 13, 2009

The Honorable Kent Conrad
Chairman
The Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

In response to your letter of February 19, 2009, we present the following views and estimates for certain programs under the jurisdiction of the Committee on Environment and Public Works. As in previous years, a brief summary of the Committee's legislative initiatives is also included.

The dollar levels represented in these views and estimates are the fiscal year (FY) 2008 enacted levels compared to either the funding levels for FY 2009 as stated in the Omnibus Appropriations Act of 2009 or the President's FY 2010 budget request released in February 2009.

Legislative Initiatives:

The Committee on Environment and Public Works intends to move forward with several legislative initiatives this year. With respect to the Committee's legislative agenda, the Committee anticipates legislation to regulate the emissions of greenhouse gases, which would be expected to include direct spending and governmental receipts. The Committee anticipates comprehensive transportation legislation which will authorize Federal highway, transit and highway safety programs, which would include direct spending. In addition, the Committee expects legislation reauthorizing and increasing funding authorization levels for the Clean Water and Safe Drinking Water State Revolving Funds, and reauthorization of the Water Resources Development Act which are not anticipated to include direct spending. The Committee also expects legislation that reforms the Toxic Substances Control Act, the law enacted in 1976 that regulates the manufacturing, processing and distribution of chemical substances and mixtures in our country, and the consideration of several other pieces of legislation during the year. However, we do not currently anticipate that these legislative actions will include direct spending.

1. Environmental Protection Agency

The Committee supports EPA's recently-announced efforts to protect public health and environmental quality by monitoring air quality at schools across the country, and by investigating the safety of coal combustion waste sites to ensure the safe management and disposal of such waste. The Majority supports EPA's efforts to protect public health and the environment by developing regulations to ensure the safe management and disposal of such waste. The Majority also supports the sections in the overall Environmental Protection Agency (EPA) budget, Superfund, and Global Warming. Attached is a letter from the Minority reflecting differing views on these issues.

President's Requested Funding for the Environmental Protection Agency

The Majority supports the Administration's request for funding for EPA. The EPA's programs protect public health and environmental quality and provide opportunities to create good jobs in clean, sustainable industries in communities across our country. However, EPA has gone through a number of years of steadily declining budgets in inflation-adjusted dollars. This means that year after year EPA's ability to meet its core program goals has been steadily eroded. The Majority supports a strong federal commitment to investing in EPA. The EPA's programs provide a sound basis for economic growth and support critical public health and environmental protections, including programs that address global warming, clean drinking water, clean air, lakes and rivers.

State Revolving Loan Funds and Other Water Cleanup Funding

The President's budget request includes $3.9 billion for grants to States for capitalization of Clean Water State Revolving Loan Funds (CWSRFs) and Drinking Water State Revolving Loan Funds (DWSRFs). This is an increase of $1.5 billion from the FY 2009 level. We urge that the budget resolution support robust funding for these important and successful programs.

The national need for investment in water and wastewater infrastructure through the CWSRF and the DWSRF continues to far outpace the amount of funding that is available from all levels of government. The most recent estimate of current needs is EPA's 2004 Clean Watersheds Needs Survey, which stated that publicly owned treatment works needs are currently $202.5 billion. Over the long-term, EPA estimates that if current investment rates remain steady, the capital investment shortfall for wastewater infrastructure could be $122 billion by 2019, and that the shortfall for drinking water capital investment may be as high as $102 billion by 2019.

Whatever estimate is used, there is no dispute that the need is great. The Committee also expects to consider legislation to reauthorize and increase the authorization levels for the CWSRF and the DWSRF to assist States and local governments in meeting their investment needs.

The EPA Geographic Programs undertake important efforts that protect crucial areas such as the Great Lakes, Chesapeake Bay, Puget Sound, San Francisco Bay, Long Island Sound, and other environmentally vulnerable ecosystems. The President's budget request for FY 2010 proposes $475 million for restoration of the Great Lakes. The Committee supports these regional programs that are designed to address unique problems faced by communities and the environment in these areas.

The Committee urges a strong federal commitment to EPA's nonpoint source reduction program (Section 319) in order to better address nonpoint sources of pollution that impair the nation's waterways .

Cleaning up Superfund Toxic Waste Sites

The Omnibus spending bill provides the Superfund program with $1.285 billion. This is a $31 million increase from FY 2008 enacted levels, with more than $15 million for long-term and emergency cleanups. The Omnibus also increased funding by more than $2 million for Superfund enforcement activities that help make polluters pay to cleanup toxic waste sites. In FY 2010 the federal government should continue to underscore its commitment to restore the pace of long-term cleanups at toxic waste sites listed under the Superfund program.

The nation has 1,255 Superfund sites listed on the National Priorities List, the most heavily contaminated toxic waste sites in the country. Human exposure is not under control at 92 Superfund sites, and EPA has insufficient information to determine whether human exposure is under control at more than 172 other sites. Over the last eight years, the Superfund program's pace of cleanups has declined by roughly 50 percent compared to the last eight years of the prior administration, from about 80 cleanups per year to about 40 – with EPA only cleaning up 24 sites in 2007 and 30 sites in 2008.

The Majority supports the Administration's efforts to provide this landmark cleanup program with a stable funding source from polluters. Such funding is essential to ensure that people are protected from dangerous toxic waste and that polluters pay to clean up their waste sites. It also helps to ensure that the Superfund program promotes the revitalization of communities working to redevelop blighted land and to provide good jobs cleaning up toxic waste sites in communities across the country.

Cleaning up Brownfields

In 2001, Congress enacted the nation's brownfields cleanup program, authorizing $200 million annually for site assessment and cleanup. The Omnibus provides $97 million for site assessment and remediation, a $3.5 million increase over FY 2008 enacted levels.

Brownfields are areas where contamination issues inhibit redevelopment efforts. The federal brownfields program is one of EPA's most popular and successful programs. Even with this modest increase in funding levels, EPA will likely not be able to fund all eligible requests. The Majority supports a strong federal commitment to the brownfields program consistent with the program's success. The Majority similarly supports a strong commitment to the Agency's Smart Growth initiatives. Smart Growth initiatives promote local, environmentally sustainable economic revitalization efforts that can complement and build on the success of the brownfields program.

Preventing and Cleaning Up Leaking Underground Storage Tanks

Leaking underground storage tanks (UST) are one of the nation's most serious threats to groundwater quality. The nation has roughly 630,000 federally-regulated USTs that store petroleum and hazardous substances that can contaminate the environment and harm human health. There is a national backlog of approximately 103,000 cleanups needed at UST sites. The Government Accountability Office estimates that it would cost roughly $12 billion to cleanup all leaking tanks, as of 2005.

The UST program has approximately $3 billion in a trust fund designated to help clean up these sites. In recent years this fund has earned more than $100 million in interest, while cleanups funds have fallen short of even this amount. The federal government should commit itself to vigorously supporting this vitally important cleanup program that can protect public health, protect drinking water supplies, and help communities speed redevelopment efforts.

Global Warming

It is critically important that EPA programs that address the threat of global warming are adequately funded, and the Majority strongly supports the Agency's efforts to address such emissions from all sources. The Majority also supports a continued commitment to the highly successful Energy Star program and an emphasis on EPA's Science and Technology activities for the Agency's Climate Protection Program.

Selected Other EPA Programs

The Committee supports EPA's science and technology programs that promote clean industries. The Agency has many top laboratories, including the National Vehicle and Fuel Emissions Laboratory, expert research programs, such as the Technology for a Sustainable Environment, and innovative public-private partnerships that help to commercialize clean technologies, green building innovations, and industrial efficiency efforts. The Committee believes that the federal government should intensify its efforts to expand EPA's existing scientific and technological capabilities to develop, apply, and help commercialize a new generation of vitally-needed clean technologies.

The Omnibus provides an increase in funding for EPA's program for Children's and Other Sensitive Population Protections, and a similar increase for the Agency's Environmental Education Program. The Committee believes that the importance of children's health warrants a renewed federal focus on helping the Agency's Office of Children's Health Protection to ensure that EPA rulemakings, policies, and programs better protect children. The Committee believes an increased focus on this office would provide multiple public health benefits across EPA's programs and activities.

The Omnibus proposes an increase in funding for EPA's endocrine disrupting chemicals program. The Committee supports continued federal efforts to help ensure that EPA properly tests endocrine disrupting chemicals.

The Omnibus provides an increase in funding to help promote environmental justice activities. The Committee believes that the government should ensure that EPA can quickly begin environmental justice reviews of Agency programs and policies.

Air Quality

The Omnibus provides increased funding for diesel emissions grant projects. Diesel engine retrofits are one of the most cost effective ways of obtaining reductions in air pollution and in reducing the risk of premature death from particulate matter. The Committee supports efforts to ensure that public health protections benefit from a strong retrofit program, especially in areas such as ports where public health is known to be threatened by existing levels of such pollution.

The Committee supports a strong federal commitment to state and local air quality grant programs that protect public health from dangerous levels of air pollution. These include program implementation, monitoring for criteria and other pollutants, and the development of new State Implementation Plans. Increased state responsibilities under federal law should come with federal support for those programs, including under section 103 of the Clean Air Act.

2. Department of Transportation, Federal Highways Administration

The President's budget does not provide any clear indications of the request for the Federal-aid Highway Program. The Committee intends to reauthorize the $286.4 billion transportation bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. The vast transportation needs demand a robust funding level for the next multi-year surface transportation bill. As such the Committee requests a reserve fund to accommodate increases in the highway program. In addition, the Committee would like the Contract Authority for the highway program to build upon the FY 2009 levels prior to any rescissions.

The Committee strongly opposes the President's proposed scorekeeping rule change and any other proposed changes to the budget process that fail to recognize the unique nature of the Highway Trust Fund. The proposal in this budget would convert the mandatory contract authority that currently funds our highway programs to a simple authorization of appropriations ostensibly for budget scoring purposes. However, without contract authority, which provides certainty of funding and allows for long-term planning, states would be forced to wait on yearly appropriations bills to determine funding levels and would have difficulty moving forward with large, multi-year projects and transportation system preservation.

The proposed budgetary change would also weaken the user fee concept which has been the underpinning of transportation funding for many decades. The gas tax is levied on users of the highway system and, in return, the federal government pledges to use the receipts to build transportation infrastructure for taxpayers' use. The proposed change would undercut this commitment and actually reduce transparency in the budgeting process by ignoring the Federal government's longstanding partnership role that is dependent upon dedicated and predictable funding and the fact that contract authority gives states the ability to enter into commitments that would obligate the Federal government. Healthy investment in highway, transit and highway safety programs, including environmental improvements, will improve America's quality of life and will help meet the needs of our growing economy. Americans and businesses benefit every day from transportation investments through shortened travel times, increased productivity, and improved safety. Infrastructure is critical to America's quality of life. Infrastructure investments enhance the productivity of business and individuals. Failing to invest creates the disruptions that waste money, time, and fuel and undermine our competitiveness. Inefficient transportation is a drag on the economy.

According to the Texas Transportation Institute, traffic congestion continues to worsen in American cities of all sizes, creating a $78 billion annual drain on the U.S. economy in the form of 4.2 billion lost hours and 2.9 billion gallons of wasted fuel. The report of the National Surface Transportation Policy and Revenue Study Commission states that we need to invest a minimum of $225 billion annually over the next 50 years at all levels of government to bring our existing surface transportation infrastructure to a good state of repair and to support our growing economy. Combined, our states, our cities and the federal government are currently spending 40% less than that amount. According to the U.S. Department of Transportation, the backlog of needed improvements to simply maintain the current highway and bridge network alone is $495 billion.

Furthermore, with our economy in recession, this is a critically important time to invest in our nation's infrastructure. The Department of Transportation estimates that every billion dollars of Federal transportation investments, which are matched by state and local funds, creates and sustains approximately 35,000 jobs. The American Recovery and Reinvestment Act provided a total of $48 billion for transportation improvements, which included $27.5 billion for the highway program. These funds are currently being used to improve our nation's infrastructure and are creating jobs. We need continued investment to maintain these jobs, and to make additional, needed improvements to our transportation infrastructure.

3. U.S. Army Corps of Engineers, Civil Works

The President's budget request for the civil works program of the Army Corps of Engineers is $5.1 billion, but amounts for specific accounts are not included. The proposed overall funding level represents a decrease of $300 million from the FY 2009 enacted level of $5.4 billion, which was $185 million below the FY 2008 enacted level. These levels do not reflect the full amount that the Corps could effectively invest. The committee supports more robust funding for the Corps of Engineers at a level consistent with the Corps capability.

The Committee notes that the American Recovery and Reinvestment Act provided $4.6 billion for the Corps of Engineers, including $25 million for investigations, $2 billion for construction, $375 million for the Mississippi River and Tributaries, $2.075 billion for operations and maintenance and $25 million for the regulatory program.

Investment in the civil works program of the Army Corps of Engineers offers many benefits. The nation's network of coastal ports and inland navigation systems is essential for the movement of raw and finished goods throughout the U.S. and overseas. Investing in these systems is necessary to ensure U.S. economic competitiveness in the global economy. The value of flood, hurricane and storm damage reduction measures and the cost of inadequately investing in this infrastructure has been demonstrated repeatedly by multiple natural disasters in recent years. Benefits also accrue from undertaking environmental restoration projects around the country, including in the Everglades, Upper Mississippi River, Missouri River, Coastal Louisiana, San Francisco Bay and countless other rivers and coasts.

The Committee notes that expenditures from the Harbor Maintenance Trust Fund (HMTF) for operation and maintenance of navigation projects have been significantly less than revenues in recent years. This has resulted in a significant surplus in the trust fund. The failure to fully fund activities that are supported through the dedicated HMTF is inconsistent with the collection of the user fees that support the fund. The Committee opposes cuts in expenditures from the HMTF for operation and maintenance of navigation projects while the fund surplus continues to increase. The Committee recommends that the budget resolution include within the context of overall increases in funding for the civil works program increased expenditures from the HMTF to match revenues.

The President's budget proposes a change in how the Inland Waterways Trust Fund (IWTF) is funded. Specific legislation has not yet been provided, but the framework included in the budget is to transition away from the current fuel tax to fees imposed on commercial barges using locks on the inland waterways system. Legislation on this same concept was proposed last year by the previous Administration, but was not acted on by Congress. This proposal is estimated to increase revenues into the IWTF, and therefore increase the level of investment possible. The Committee supports increased investment in the inland waterways system, but believes it would be inappropriate to assume enactment of a plan that Congress has not yet had time to carefully consider. The Committee urges the Administration to submit a detailed proposal for consideration as soon as possible.

4. Economic Development Administration

The President's budget request for the Economic Development Administration (EDA) includes $50 million in regional planning and matching grants to support the creation of regional innovation clusters, as well as $50 million to create a nationwide network of public-private business incubators to promote entrepreneurship in economically distressed communities. Details on any additional FY 2010 funding for the EDA has not been presented in the budget document.

The FY 2009 Omnibus Appropriations Act included $240 million for the EDA, which is significantly less than the level at which this Committee has authorized EDA in recent years. This is in addition to the $150 million for EDA's Economic Development Assistance Programs that was included in the American Recovery and Reinvestment Act of 2009. The EDA has a long and successful history of creating jobs and increasing the economic vitality of communities through public works and economic development assistance. The EDA's current authorization expired at the end of 2008. The Committee intends to reauthorize the legislation this year and supports robust funding of EDA in the FY 2010 budget.

5. Department of the Interior

The FY 2009 Omnibus appropriations bill included $1.4 billion for the United States Fish and Wildlife Service (FWS), nearly level funding compared to FY 2008 enacted levels. The Committee urges a strong federal commitment is needed in several FWS budget areas in FY 2010.

The Fish and Wildlife Service manages over 96 million acres of land around the country. The backlog of deferred maintenance and construction at the National Wildlife Refuges and National Fish Hatcheries currently totals more than $3 billion. The FY 2009 Omnibus bill included an increase of $28.7 million over the FY08 enacted level for both operations and maintenance as well as a $2.4 million increase for construction and rehabilitation. Other important Fish and Wildlife Service programs, such as the Multinational Species Conservation Funds, Endangered Species Program, and land acquisition program also received increases. The Committee believes a robust level of funding is needed in the FY 2010 budget for these important activities, in addition to the Partners for Fish and Wildlife program.

The Cooperative Endangered Species Conservation Fund (CESCF) has been one of the FWS's most successful conservation programs. It funds multiple grant programs that foster cooperative partnerships between the federal government, states, and non-federal partners for the protection and conservation of federally-listed threatened and endangered species. The federal resources are then leveraged with millions of state, county, municipal, non-profit, and private dollars. The FY 2009 Omnibus bill provided $80 million for this program, which is an increase of $6.17 million over the FY 2008 enacted level but significantly less than the program's high of $104.7 million in FY 2001. The Committee supports a renewed commitment to this important program designed to protect irreplaceable wildlife and plants that make up America's natural heritage.

The President's budget proposes increases of more than $130 million to assess and respond to the potential impacts of changes in climatic conditions on wildlife. To protect billions of dollars in past conservation investments and ensure future investments in refuges and other FWS conservation activities are appropriately targeted, the Committee supports significant federal resources devoted to assess and respond to species adaptation related to changes in regional and global climatic conditions.

6. General Services Administration Public Buildings Service

The President's budget request for the Public Buildings Service of the General Services Administration (GSA) includes $600 million in appropriated discretionary programs. This was in addition to the $5.9 billion provided for the GSA in the American Recovery and Reinvestment Act of 2009. The Committee is awaiting further details on the amount of new obligation authority for the GSA. GSA has an extraordinary opportunity to enhance the current federal building stock through increases in the energy efficiency of its buildings and by undertaking critical construction, repair and alteration projects. The Committee continues to be concerned by GSA's dependence on long-term leases to meet their needs. We encourage the FY 2010 budget to place emphasis on meeting needs through GSA ownership where appropriate.

The 2009 Omnibus includes $8.428 billion in obligation authority for the GSA which was $50 million more than President Bush included in his budget request for FY 2009. The Committee is concerned about the backlog of scheduled courthouse construction projects on the Judicial Conference's five-year plan; many of which are ready for construction. The Committee recommends that the five year plan, as established and approved by the Judicial Conference, be taken into account for funding. The Judicial Conference estimates that approximately $529.3 million in additional funding should be made available in FY 2010.

We appreciate the opportunity to comment on the programs within the jurisdiction of the Committee on Environment and Public Works. A letter laying out additional Minority views is attached to this correspondence. We look forward to working with you as you prepare the Concurrent Resolution on the Budget for FY 2010.

Sincerely,

Barbara Boxer
Chairman

James M. Inhofe
Ranking Member

United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

March 13, 2009

The Honorable Kent Conrad
Chairman
The Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

The Environment and Public Works Committee minority concurs with the views expressed by the majority with the exception of certain portions of the section on the Environmental Protection Agency (EPA). The minority does not support the dramatic increase in requested total budget authority for the EPA. The federal government will run a combined budget deficit of over $2.9 trillion for fiscal years 2009 and 2010. American families are being forced to tighten their belts and make tough decisions, and the federal government should do the same. While the minority supports the requested increases for certain programs, these increases should be offset by cuts elsewhere in the EPA budget.

The minority also has serious concerns about the cap-and-trade proposal in the President's budget as well as the superfund and nuclear energy requests.

Cap-and-Trade

The minority has serious concerns about the inclusion of a greenhouse gas cap-and-trade system in the President's budget request. First and foremost, we oppose a cap-and-trade system because it is designed to raise energy costs and has the functional equivalency of a regressive tax on consumers. Under such a system, the government sets a cap on the amount of greenhouse gases that can be emitted annually. Obligated parties that use or sell energy must buy and sell permits that allow them to continue to emit, while customers bear the price of those permits.

Indeed, according to OMB Budget Director Orszag, "Under a cap-and-trade program, firms would not ultimately bear most of the costs of the allowances but instead would pass them along to their customers in the form of higher prices. Such price increases would stem from the restriction on emissions and would occur regardless of whether the government sold emission allowances or gave them away. Indeed, the price increases would be essential to the success of a cap-and-trade program."[1]

In addition to the regressive nature of the proposal and its effects on consumers, we are also concerned that the amount of revenue that the system will generate has been underestimated. According to the budget proposal, the cap-and-trade auctions are set to begin in 2012 and raise approximately between $78 and $83 billion per year, for a total of $645.7 billion through 2019. However, the budget proposal's emissions reduction targets similarly track with other more aggressive legislative efforts, which have been modeled to raise approximately $300-350 billion annually.[2] In addition, the budget document itself suggests additional revenues may flow to the Treasury.[3] We are hopeful that the authors of the budget will respond appropriately to this disparity.

Finally, these substantive concerns underscore our views that a legislative proposal of this magnitude is entirely inappropriate to be considered in a Budget Resolution. The Budget Resolution is a privileged piece of legislation that has limited debate time, and would not provide for an appropriate venue to debate such a complex measure. In addition, we oppose using the budget reconciliation process to expedite passage of climate legislation. Enactment of a cap-and-trade regime is likely to influence nearly every feature of the U.S. economy. Legislation so far-reaching should be fully vetted and given appropriate time for debate, something the budget reconciliation process also does not allow. Using this procedure would circumvent normal Senate practice and would be inconsistent with the Administration's stated goals of bipartisanship, cooperation, and openness.

Cleanup of Superfund Sites

While the Superfund budget for fiscal year (FY) 2010 has not been disclosed, the Administration has announced its intention to reinstate the excise taxes that expired in 1995. The minority strongly objects to this proposal. These taxes will be burdensome and

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[1] Statement of Peter R. Orszag, Director CBO, Implications of a Cap-and-Trade Program for Carbon Dioxide Emissions before the Committee on Finance, United States Senate April 24, 2008

[2] See *MIT Joint Program on the Science and Policy of Global Climate Change: Assessment of U.S. Cap and Trade Proposals*, Report No. 146, April 2007; *CBO Trade-Offs in Allocating Allowances for CO2 Emissions*, Economic and Budget Issue Brief, April 25th, 2007; *WEFA Global Warming: The High Cost of the Kyoto Protocol National and State Impacts*, 1998

[3] Footnote 5 (table S6) in the President's budget reads: "Shown here are those proceeds from auction emission allowances that are reserved for clean energy technology initiatives and to compensate families through the Making Work Pay tax cut...All additional net proceeds will be used to further compensate the public"

unnecessary.

There is no reason to reinstate the excise taxes. These taxes would fall on businesses already paying for their own cleanups, or it would force businesses that have never created a superfund site to pay for cleanup of sites they did not contaminate. The minority opposes forcing businesses to pay to clean up sites they did not pollute or requiring them to pay twice to clean up the same site.

The FY 2009 Superfund budget is funded at an historic level, $1.885 million. This reflects the $1.285 billion provided in the FY 2009 Omnibus (which is lower than President Bush's FY 2009 request) plus the $600 million from the stimulus. This is a steep increase to the Superfund budget which has remained consistent over the past five years and there is no need to levy the excise taxes with this massive cash infusion.

Nuclear Energy

Economic growth is directly tied to adequate supplies of safe, reliable, cost-effective energy. Nuclear energy makes a vital contribution to our nation's energy mix, a contribution that should be expanded with the construction of new facilities. As such, it is our view that the Nuclear Regulatory Commission's Office of New Reactors should be fully funded in order to ensure thorough and timely reviews.

In the matter of our nation's nuclear waste repository program, the Department of Energy's Office of Civilian Radioactive Waste Management and the Nuclear Regulatory Commission's Division of High-Level Waste Repository Safety should both be fully funded to support thorough consideration and timely completion of the license application review process. We particularly disagree with the statement that "the Yucca Mountain program will be scaled back to those costs necessary to answer inquiries from the Nuclear Regulatory Commission…." The Yucca Mountain program should be fully funded for all aspects of the licensing process including any and all hearings or litigation that may arise as a result of the license application.

Sincerely,

James M. Inhofe
Ranking Member
Senate Committee on Environment
and Public Works

United States Senate
COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

March 13, 2009

The Honorable Kent Conrad
Chairman
Senate Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Judd Gregg
Ranking Member
Senate Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Kent and Judd:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, we are submitting our views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance for the Fiscal Year 2010 Senate Concurrent Resolution on the Budget.

Revenues

Airport and Airway Trust Fund: The U.S. air-traffic system is financed with a series of excise taxes that are deposited in the Airport and Airway Trust Fund. These taxes have been extended on several occasions since September 2007. Last Congress the Finance Committee passed the American Infrastructure Investment and Improvement Act, to reauthorize the Airport and Airway Trust Fund. In order to ensure needed investment in our transportation infrastructure, similar legislation should be enacted in a timely manner.

Alternative Minimum Tax ("AMT") Relief: This year the Congress increased the AMT exemption level to $70,950 for married couples filing jointly, $46,700 for individuals. On January 1, 2010, these exemption levels will revert back to the levels in effect before 2001. Those exemption levels are $45,000 for married couples filing jointly, $33,750 for individuals. In addition, under current law, certain non-refundable income tax credits are subject to the AMT. In order to prevent more than 24 million families and individuals from being adversely affected by the AMT in 2010, these provisions will require a timely extension.

Cap-and-Trade: The President's budget proposes the establishment of a cap-and-trade program with the goal of reducing greenhouse gas emissions 14% by 2020 and 83% by 2050. The program would be economy-wide with 100 percent of the emission allowances being auctioned to emitters. The program is expected to begin in 2012 and may raise in excess of $646 billion by 2019. The revenues from the auction are dedicated to pay for energy technology, an extension of the Making Work Pay tax benefits, and other programs.

Corporate and International Tax Issues: The Committee continues to look for tax compliance gaps related to domestic and offshore transactions involving both inbound and outbound investments. In an increasingly complex global economy, this element of the "tax gap" deserves a greater focus. The Committee intends to develop a package of legislative options to help the IRS detect, deter and discourage offshore noncompliance. The Committee also continues to examine tax issues alternative investments in the U.S. economy, examining tax compliance and policy issues related to their operations.

Education: The Finance Committee may report an education tax title later this year. The tax title would likely include provisions to increase the affordability of post-secondary education and promote access to such educational opportunities.

Estate tax: The Economic Growth and Tax Relief Reconciliation Act of 2001 phased down the top tax rate and increased the exemption of the estate and generation skipping taxes until the taxes are totally repealed in 2010. The bill also increased the exemption to $1 million and the rate to 35% for the gift tax in 2010. For 2009, the estate and generation skipping transfer taxes have an exemption of $3.5 million, and the gift tax has an exemption of $1 million. The rate for these taxes for 2009 is 45%. These taxes revert back to 2001 levels in 2011, setting the top rate at 55% and the exemption at $1 million. The Committee will work on providing long-term estate tax relief during this year.

Expiring Tax Provisions: Last year, Congress passed a package of tax provisions that had expired at the end 2007. These provisions expire at the end of 2009. For seamless tax administration, an extension of expiring tax provisions should be enacted in a timely manner, and extended through calendar year 2010.

Health Tax Initiatives: The Finance Committee is committed to expanding health care coverage and controlling health care costs for all Americans. As part of larger health care reform, the Finance Committee will examine the current tax treatment of health care expenditures.

Incentives for Energy Production and Conservation: The Finance Committee remains committed to the goals of decreasing our dependence on foreign energy, encouraging energy efficiency and conservation, expanding alternative fuels inventory, and promoting the development of new technology. The Finance Committee will continue to pursue legislation that targets these goals.

IRS Budget: The Administration has requested $13.3 billion for the IRS's FY 2010 budget. This amount is $1.8 billion greater than the appropriation in the FY 2009 Omnibus bill. The FY 2010 increase includes funding for a robust portfolio of IRS international tax compliance initiatives and sustains efforts to reduce the annual $345 tax gap. We support a balanced approach to tax administration. We support a strong enforcement budget together with sufficient funding for taxpayer services and modernizing IRS information technology. Helping taxpayers understand their tax responsibilities up-front promotes higher rates of voluntary tax compliance, reducing the need for subsequent enforcement action. Critical IRS computer systems were built in the 1960s and must be upgraded to keep pace with an increasingly complex and global tax regime, as well as to facilitate more efficient analysis of tax return data and detection of scams and schemes.

Maintaining Integrity in Our Tax System and Reducing the Tax Gap: The tax gap is the difference between the taxes that are legally owed and the taxes that are timely paid. The IRS estimates the 2001 net tax gap figure to be $290 billion annually. The Treasury Inspector General for Tax Administration reported that this figure does not include the entire amount of the international tax gap, and that the IRS does not have a reliable estimate of the size of the international gap. The Government Accountability Office has called the tax gap a "high risk" problem. The National Taxpayer Advocate has identified the tax gap as a "most serious" problem. The IRS Oversight Board has cited the tax gap as its "foremost concern".

The Finance Committee will continue to explore options and to develop legislation to enhance tax administration, improve tax compliance, and reduce the tax gap, both domestic and international. The Committee will also exercise robust oversight and ongoing support of Treasury and the IRS to ensure implementation of the IRS report, "Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance."

The President's Budget for FY 2010 proposes that Congress allow for upward spending adjustments to the 302(a) appropriation ceilings included in the Budget Resolution. These adjustments can be used only for certain program integrity activities, and each adjustment is only allowed to occur if the base amount for that activity is fully appropriated. The President's Budget proposal for $13.3 billion for IRS for FY 2010 includes both a base amount of $7.1 Billion for tax enforcement (subject to update), and an additional $890 million appropriations ceiling adjustment" for this same purpose. We recommend that the Budget Resolution include both the base amount and the adjustment mechanism. The President's Budget includes the savings from this program integrity provision in its estimates of the deficits it proposes for each year. We recommend that the Budget Resolution do the same. The President's Budget also proposes that significant funding be dedicated for these activities in each of the next five years. We recommend that the Budget Resolution follow suit.

Middle Income Tax Relief: The Economic Growth and Tax Relief Reconciliation Act of 2001 and subsequent legislation provided several tax cuts to families, including reducing the tax rates, expanding the child tax credit, and providing marriage penalty relief. These tax cuts are set to expire at the end of 2010, creating uncertainty for millions of taxpayers. The Committee will work to make many of these tax cuts permanent.

Non-Profit Investigations: The Committee continues a number of investigations into various non-profit entities. Many questions have been raised about whether these organizations are meeting the standards necessary to qualify for tax advantages.

Savings Incentives: The Finance Committee continues to examine the current tax-preferred savings vehicles to determine whether the existing credits and programs work or need improvement. The committee will examine proposals such as expanding the Savers Credit and automatic IRAs and 401(k)s to determine whether there are opportunities for enhancing savings.

Surface Transportation: Expenditures from the Highway Trust Fund are authorized through the end of Fiscal Year 2009. Despite passage of Finance Committee legislation last Congress to fix a looming Highway Trust Fund shortfall, the Trust Fund still faces insolvency in the near term. Further action will be needed to improve and maintain our surface transportation infrastructure, and the Finance Committee will play a vital role as Congress considers reauthorization of federal surface transportation programs.

Tax Reform and Simplification: The Finance Committee will continue to hold hearings on tax reform and develop a simplification package of reforms including measures to lessen taxpayer compliance burdens.

Superfund Tax: The President's budget includes a proposal to reinstate the Superfund tax. The tax expired in December 1995, and by the end of 2003 the balance in the trust fund was essentially zero. The President's budget proposes reinstating the tax in 2011, raising $17.2 billion over 10 years.

Reserve Funds: The Committee believes that the budget resolution should include reserve funds to accommodate tax cuts for all the purposes covered by the fiscal year 2008 budget resolution.

Health

Comprehensive Health Care Reform

Comprehensive health care reform legislation is critical to the economic stability of our country. In the last eight years, average wages have increased only 20 percent while health insurance premiums have tripled. A study by the New America Foundation found that as health care inflation continues to outpace wages, the average cost of health insurance for a family could reach $24,000 in 2016 – an 84 percent increase from today. Premiums have increased 119 percent for employers between 1999 and 2008. In 2000, 68 percent of small to mid-size businesses (3-199 workers) offered health benefits, but today that figure is 62 percent. Health care costs threaten the stability and competitiveness of American businesses. According to CBO, the rate of growth of spending on health care is the single greatest threat to budget balance over the long run, and such spending will have to be controlled in order for the fiscal situation to be sustainable in future decades. Together, outlays for Medicare and Medicaid currently account for about five percent of GDP. By 2019, spending for those programs combined is projected to total about 6.3 percent of GDP. By 2050, it could reach 12 percent. Comprehensive reform of the health care system is a critical component for addressing the national debt and federal deficits.

The President's Fiscal Year 2010 Budget made an important and historic down payment on comprehensive health care reform. This year, the Finance Committee will consider health care reform legislation aimed at containing health care costs, providing coverage to all Americans and improving the quality and coordination of the care that is delivered. The Committee is hopeful that the budget resolution will recognize, and provide flexibility for, the fact that many of the policies we will consider may not score net savings in the near term. Similar to the investment made in health information technology in the American Recovery and Reinvestment Act of 2009, many of these policies will have net costs in the early years, yet generate significant savings in later years.

Delivery System Reform

As we work to reform the health care system, we must take steps to transform the health care delivery system to one that provides services and engages in activities that improve patient care and bend the curve of growth in national health care spending. As part of this effort, making improvements to the way care is paid for and delivered in the Medicare program is a key priority and will pave the way for system-wide changes.

Beginning in 2005, and for the first time in the history of the program, Congress established a link between quality of services provided to beneficiaries and payment for those services. Under the inpatient payment system, hospitals became eligible for higher Medicare payments if they submit data on ten measures of quality care. This requirement was an essential first step toward changing Medicare from a passive payer to a value-based purchaser of health care. The Deficit Reduction Act (DRA) built upon this initiative, expanding the set of quality data that hospitals would be required to report and initiating a similar "pay-for-reporting" system for home health agencies. Also, hospitals will no longer receive a higher Medicare payment rate if a patient acquired certain preventable conditions during their hospital stay.

The Tax Relief and Health Care Act (TRHCA) took additional steps to lay the foundation for value-based purchasing by establishing a pay-for-reporting program for physicians and, in later years, for hospital outpatient departments and ambulatory surgical centers. The Medicare, Medicaid, and SCHIP Extension Act (MMSEA) and the Medicare Improvements for Patients and Providers Act (MIPPA) extended the physician quality reporting initiative and required the Centers for Medicare and Medicaid Services (CMS) to make necessary improvements to the program, established a physician feedback program, and required the Secretary of HHS to develop a plan to transition to a value-based purchasing program for physicians and other practitioners. In addition, MIPPA established incentives for physicians to adopt electronic prescribing by providing incentive payments for the use of a qualified e-prescribing system in 2011 and reducing payment for those who fail to use e-prescribing beginning in 2012. MIPPA also required CMS to contract with a consensus-based entity regarding quality performance measurement to recommend an integrated national strategy and priorities for measuring health care performance, provide for endorsement and maintenance of performance measures, and promote the development of electronic health records. These have been important steps forward in linking Medicare payment to quality care.

With the exception of the changes described above, Medicare payment systems have, at best, a neutral impact and, at worst, a harmful one on quality. They promote silos and fragmentation in the delivery of health care and a lack of coordination and accountability across the episode of care. For physician services, Medicare payment continues to be based primarily on the volume and not the value of the services delivered. Medicare must enhance its efforts to link payment to quality care by developing clinically sound quality initiatives for other Medicare providers as well. Also, financial incentives for all Medicare providers must be aligned. The President's budget took steps to improve quality through linking "pay-to-performance" and also putting new mechanisms in place to reduce hospital readmission rates and encourage health care providers to better coordinate care through concepts like bundling payments and enabling physicians to form voluntary groups to receive performance-based payments for coordinating care. The Committee is hopeful that the budget resolution will also recognize the importance of moving forward on policies to improve the health care delivery system, starting with the Medicare system.

Access to health information technology is another building block for improving quality. It is vital for payment systems that hold providers accountable for the quality of health care they provide, for programs to eliminate medical errors, and for initiatives to improve the prevention and detection of fraud and abuse. Nationally adopted health IT standards are necessary to ensure that data can be exchanged among health care providers. The true value of an interoperable system will not be evident until electronic medical records can travel with the patient to any provider across the country.

The American Recovery and Reinvestment Act (ARRA) provided for the nationally adopted IT standards, incentives, and targeted assistance needed to ensure that the promise of health information technology is achieved. Despite the possibility of long-term savings, many providers – such as those in rural areas – are unable to make the initial investment necessary to install a health information technology system and to train staff. ARRA provided for $17 billion in incentives to health care providers through the Medicare and Medicaid programs. Beginning in 2011, providers who have adopted and are meaningfully using a certified health IT system – such as through the collection and reporting of clinical quality measures – will be eligible for significant financial bonuses. Beginning in 2014, physicians and hospitals participating in the Medicare program that are not meaningful users of certified health IT systems will not receive full Medicare payments in 2015. Certain providers, especially those in rural and other medically underserved communities, will receive additional financial assistance to ensure a truly national health information network is achieved.

In addition to enabling the better use of technology, we must also develop policies that enhance transparency of the Medicare program. The reporting of quality data is the first step to that end; where feasible, Medicare beneficiaries should be given access to quality and pricing information, so they can become more engaged in making informed health care decisions. Currently, beneficiaries have limited access to useful information on the cost and quality of health care services. Where practicable, data on provider cost and performance should be available for those who wish to use this information in the selection of health care providers.

Reforming the delivery system must also include consideration of providers in rural settings. Over the years, much has been done to ensure health care access in rural America, by reducing geographic payment disparities and by including add-on or bonus payments for providers in rural areas. Efforts to reform the delivery system should build on these efforts and take additional steps to promote and ensure access to rural health care in the future.

Prescription Drug Benefit

The Medicare prescription drug benefit has brought prescription drug coverage to millions of beneficiaries. According to data from CMS, over 50 percent of Medicare beneficiaries now receive drug coverage or subsidies for drug coverage through the Medicare program. Over 90 percent of Medicare beneficiaries now have some form of coverage to help purchase needed medicines. As part of this effort, the low-income subsidy (LIS) program that provides added financial assistance to beneficiaries with low income is a cornerstone of the Medicare prescription drug benefit. CMS, the Social Security Administration (SSA), and advocacy groups have worked to inform low-income beneficiaries about, and assist them in applying for, this extra financial assistance. Despite their work, it is estimated that three-fourths of beneficiaries who remain without prescription drug coverage would likely qualify for low or zero cost sharing through the low-income subsidy (LIS) program. The MIPPA of 2008 provided $25 million in new funds for State Health Insurance Assistance Programs, Area Agencies on Aging, and Aging and Disability Resource Centers to enhance local outreach and increase enrollment in the LIS program. The Committee will review activities and consider investing again in programs to improve LIS outreach and education.

People who are dually eligible for both Medicare and Medicaid are automatically enrolled in drug plans that participate in the LIS program. However, the number of LIS drug plans has declined each year since 2006. In some states, only one or two LIS plans are now available. As a result, CMS has had to reassign millions of dual-eligibles to new drug plans each year in order to ensure they receive the LIS benefit as Congress intended. The Finance Committee will look carefully at these trends to see how they affect access to drugs by dual eligibles and consider making changes to the LIS program if needed.

To protect dual eligibles and the most medically vulnerable beneficiaries from life-threatening disruptions in their drug treatments, CMS implemented the prescription drug benefit with a requirement that plans cover all or substantially all products in six drug classes. CMS refers to the six classes (anticancer, antiretrovirals, antiseizure, antipsycotics, antidepressants, and immunosuppressants) as "protected classes." The MIPPA of 2008 codified CMS' authority to protect drug classes in this manner. The Committee will consider technical changes to this authority, if needed, in order to ensure that it reflects the current scope of protected classes.

Medicare Advantage

Medicare Advantage currently provides coverage to over 10 million Medicare enrollees. The MIPPA of 2008 made several changes to the Medicare Advantage program. It strengthened the marketing rules for MA and Part D plans, phased-out medical education costs from payments to some private Medicare plans required private fee-for-service plans to have written contracts with doctors and hospitals beginning in 2011, and instituted care management and care coordination requirements for special needs plans. The Committee will look further at Medicare Advantage (MA) to address inefficiencies that remain in the program. The Committee will examine a range of options to modify payments in MA so that they more closely reflect the costs of efficient plans in providing Medicare services to beneficiaries. The Committee will review analyses of alternative MA payment methods conducted by MedPAC that were required by the MIPPA of 2008. In addition, the Committee will consider alternative methods for paying MA plans for activities that manage and coordinate care for chronic and medically complex beneficiaries. The Committee will also consider legislation to extend authority for special needs and cost plans beyond 2010.

Medicaid and Children's Health Insurance Program

Medicaid and the Children's Health Insurance Program (CHIP) play an increasingly important role in the U.S. health care system. According to data from the Centers for Medicare and Medicaid Services, the number of children "ever enrolled" in public health coverage programs in 2008 was 29.8 million in Medicaid and 7.9 million children in CHIP, for a combined total of 37.7 million children. CHIP is the largest and most successful expansion of public health insurance for children apart from Medicaid. The number of children served by CHIP has increased 140 percent between 2000 and 2008.

In February, President Obama signed the Children's Health Insurance Program Reauthorization Act of 2009. The CHIP Reauthorization Act extends the program for four-and-a-half years. The Congressional Budget Office estimates that this legislation will result in the nearly seven million kids currently enrolled in CHIP continuing to be covered and an additional 4.1 million uninsured kids gaining coverage. The reauthorization will cost $32.8 billion over five years and is financed by an increase in the federal excise tax on cigarettes of $0.61 per pack, with proportional increases in other tobacco products.

Medicaid provides a safety net of coverage for vulnerable low-income populations for whom private coverage options are minimal at best. The program serves as an important source of coverage for disabled and elderly individuals, pregnant women, parents and children. In determining priorities, we should also be mindful of Medicaid's neediest populations. Whether beneficiaries live in rural areas or cities, Congress must ensure that they are treated equally, that policy changes do not deter necessary care for beneficiaries, that disabled and elderly individuals receive an appropriate level of care, and that Medicaid's guarantee of coverage is preserved.

We hope to work in a bipartisan way to address issues surrounding the services Medicaid provides and the appropriate federal funding levels for those services. To that end, we hope that there would be sufficient flexibility in the budget to accommodate the need to address Medicaid policies that can protect the health care safety net for our most vulnerable populations. In addition, the Committee intends to include Medicaid and CHIP in its larger health reform efforts to ensure these programs function effectively and efficiently within a reformed health care system and take advantage of improvements made in the system.

Indian Health

In February, President Obama signed the American Recovery and Reinvestment Act of 2009 (ARRA). Several provisions of this law aim to improve American Indians' and Alaska Natives' access to health care. The ARRA eliminated cost-sharing requirements for Indians to access certain Medicaid services, reduced Medicaid eligibility restrictions for Indians, protected certain Indian estates and property, and improved access to managed care entities and primary care case management services. The Committee intends to ensure that its larger health reform efforts build on the provisions in ARRA to improve American Indians' and Alaska Natives' access to health care.

Health Care Fraud and Abuse Control

The President's Budget proposes a significant increase in Medicare and Medicaid program integrity activities, including by providing additional funds for the Health Care Fraud and Abuse Control (HCFAC) Program and by creating a new Federal-State Partnership to reduce errors and improper payments in federal mean-tested programs administered by states. There is a proven record of return on investment for HCFAC funding. The Administration points out the significant return on investment that is expected from program integrity activities related to the additional funding. The Administration proposes to protect the dollars requested for these activities in the appropriations process through allocation adjustments, a mechanism that has been used in the past. The Finance Committee agrees with the suggestion to use allocation adjustments for these program integrity proposals.

Child Welfare

Since the passage of the 1997 Adoption and Safe Families Act, more than 443,000 children from the child welfare system have been adopted into safe, permanent homes, and we should continue investments to promote adoption and post-adoption support. Despite this progress, 512,000 vulnerable children remain in foster care needing care and support. Last year, "The Fostering Connections and Increasing Adoptions Act of 2008" was signed into law through bi-partisan and bicameral work. The legislation makes the most significant changes and improvements in the child welfare system in more than a decade. This new law, once fully implemented, provides additional federal incentives for states to move children from foster care to adoptive homes. It enables foster children to be cared for by their own relatives, including grandparents, aunts and uncles, and to stay in their own home communities. It makes all children with special needs eligible for federal adoption assistance. Previously, that assistance had been limited to children who are removed from very low-income families. The new law also establishes new opportunities to help kids who age out of the foster care system at 18 by helping them pursue education or vocational training, provides more direct federal support for children being served by tribal child welfare systems and many other improvements.

Even with the passage of last year's bill, improvements in child welfare are still needed. The financing structure remains a major challenge, as does, the need for States to work to prevent repeated abuses and neglect of children, strengthen upfront and prevention services for fragile families. We wish to explore legislative opportunities for updating child welfare financing, helping states improve their performance relative to the CFSRs, and other improvements to the child welfare system. We request appropriate funding in this budget to assist states make needed improvement in the child welfare system.

Social Services Block Grant

We strongly encourage an increase in funding to the Social Services Block Grant (SSBG), particularly given recent strain on state budgets. There is a long history of bipartisan support to increase SSBG back to its historic high of $2.8 billion. The SSBG provides states with the resources and the flexibility to address the needs of our most vulnerable populations: the elderly, children and the disabled. SSBG is often the sole federal source for funding for adult protective services. SSBG also helps states fund important child welfare programs. SSBG has also been used to direct needed funding to states that experienced disasters. The Committee intends to explore ways to strengthen and improve SSBG during the 111th Congress.

Unemployment Insurance

In February, the economy lost 651,000 nonfarm payroll jobs, marking the fourteenth straight month of losses. Job losses since the start of the recession now total 4.4 million, with over half of the losses occurring in the past four months. These job losses are widespread, affecting both the production and service sectors of our economy. The unemployment rate also rose to 8.1 percent in February, the highest level since December 1983. Workers are increasingly unable to find full-time jobs. There are 8.5 million people working part-time because they cannot find a full-time job, 838,000 more than in January, and 4.0 million more than at the beginning of the recession. One million women in the labor force who maintain families are currently unemployed. The economy continues to shed jobs based on initial weekly unemployment claims.

The President's Budget includes a proposal to reform the unemployment system by making the program more accessible to workers during recessions; improve UI as an automatic stabilizer by promoting improved responsiveness in state permanent Extended Benefits programs during economic downturns; and improve UI financial integrity by reducing improper payments and employer tax evasion.

The President's budget also proposes to collect delinquent UI overpayments through garnishment of Federal income tax refunds. Federal law already allows offsets for delinquent debt owed to federal agencies, delinquent child support obligations, and delinquent state income tax debt. Under this proposal, Treasury would match information about past-due, legally enforceable state unemployment compensation debts with federal tax refunds, deduct amounts due, and credit those amounts to the appropriate state unemployment insurance trust fund account. The Committee believes this proposal raises important policy concerns but there are some areas of opportunity that the Committee would like the flexibility to further develop.

The President's Budget for FY 2010 proposes that Congress allow for upward adjustments to the 302(a) appropriation ceilings included in the Budget Resolution. These adjustments can be used only for certain program integrity activities, and each adjustment is only allowed to occur if the base amount for that activity is fully appropriated. One such adjustment would be for identifying improper payments in the Department of Labor's Unemployment Insurance program.

The President's Budget proposal for DOL for FY 2010 includes both a base amount of $10 million for identifying these improper payments and an additional $50 million "upward ceiling adjustment" for these same purposes. We recommend that the Budget Resolution include both the base amount and the adjustment mechanism. The President's Budget includes the savings from these program integrity provisions in its estimates of the deficits it proposes for each year. We recommend that the Budget Resolution do the same. The President's Budget also proposes that significant funding be dedicated for these activities in each of the next five years. We recommend that the Budget Resolution follow suit.

Trade

The Finance Committee may consider legislation to reauthorize the commercial functions of the Bureau of Customs and Border Protection (CBP) and the Bureau of Immigration and Customs Enforcement (ICE) at the Department of Homeland Security (DHS), as well as legislation to reauthorize the Office of the U.S. Trade Representative and the U.S. International Trade Commission. The Committee also may consider legislation to enhance the enforcement of U.S. trade agreements and U.S. trade laws; legislation to enhance the enforcement of intellectual property rights abroad; legislation to implement the pending free trade agreements with Panama, Colombia, and South Korea; and legislation to implement a possible multilateral trade agreement in the World Trade Organization (WTO). The Committee also may consider legislation to address trade and travel restrictions with Cuba; legislation to suspend tariffs on miscellaneous imports; legislation to continue trade sanctions against Burma; legislation to address the trade implications of a carbon cap and trade system; legislation to authorize permanent normal trade relations with Azerbaijan, Kazakhstan, Moldova, and/or Russia; legislation to address exchange rate misalignments, and legislation to address U.S. laws that are found to be inconsistent with our WTO obligations. The Committee also may consider the Generalized System of Preferences program, which expires on January 1, 2010, the Andean Trade Preference Act, which expires on January 1, 2010 with respect to some of the beneficiary countries, and the Caribbean Basin Initiative, which expires on October 1, 2010. Finally, the Committee also may consider legislation to grant the President Trade Promotion Authority, which expired on July 1, 2007.

The Finance Committee will conduct oversight over a number of key trade issues, including enforcement of U.S. rights under trade agreements, the application of U.S. trade remedy laws, and protection and enforcement of U.S. intellectual property rights abroad. The Committee will also conduct oversight over pending international trade negotiations, including (1) discussions aimed at concluding new agreements in the WTO; (2) bilateral negotiations to conclude a trade agreement with Malaysia; (3) plurilateral negotiations to conclude an Asia-Pacific regional trade agreement; (4) negotiations to conclude a plurilateral Anti-Counterfeiting Trade Agreement; (5) negotiations to conclude a bilateral investment treaty with China; (6) negotiations to conclude a bilateral investment treaty with India; (7) negotiations to conclude a bilateral investment treaty with Vietnam; (8) discussions under the U.S.-China Strategic Economic Dialogue and the Joint Commission on Commerce and Trade; and (9) other ongoing international negotiations that have been initiated.

The Finance Committee will also continue its extensive oversight efforts of the Homeland Security Act of 2002, which transferred certain customs functions from the Department of the Treasury to DHS. The Committee will also monitor implementation of the Security and Accountability For Every (SAFE) Port Act of 2006, which authorized the restoration of trade resources and unification of trade personnel under a new Office of International Trade. The SAFE Port Act also authorized key programs such as the International Trade Data System and the Customs-Trade Partnership Against Terrorism. The Committee will continue to oversee the activities of DHS and the Department of the Treasury affecting trade in order to ensure that a careful balance is maintained between the need for strong border security and the need for strong economic security, which is based in part on an open and secure international trade system.

In the course of realizing its international trade priorities, the Finance Committee anticipates additional costs incurred by program expansion and extension as well as revenue losses through tariff reductions. To this end, we request that the Budget Committee include a budget neutral reserve fund for international trade priorities over a ten year period, with which the Committee could pay for reauthorization of CBP and ICE trade functions; enactment of trade enforcement legislation; extension and reform of trade preference programs; implementation of bilateral trade agreements with Colombia, Panama, and South Korea; and other trade matters.

Social Security

The Social Security system is projected to run annual cash surpluses over the next seven years. However, as the baby boomer generation continues to retire, these annual surpluses will diminish and ultimately turn into annual deficits. We believe that the enactment of a solution to the financial problems facing Social Security must ultimately involve bipartisan legislation reported out by the Finance Committee. Although developing a solution that protects and improves Social Security will be a complex and challenging task, we believe our efforts can succeed if Democrats and Republicans are ultimately willing to work together in a spirit of bipartisanship.

Currently, many applicants to the Social Security Disability Insurance (SSDI) program and the disability portion of the Supplemental Security Income (SSI) program face significant delays in getting their benefits. Indeed, waiting times can exceed three years in some cases. Such delays create serious or desperate financial situations for the applicants and their families. According to the Social Security Administration (SSA), about half of these waiting times result from huge backlogs of (1) appeals hearings before Administrative Law Judges and (2) initial claims. Unfortunately, the severe economic downturn has already increased the number of initial claims and appeals hearings, and even bigger increases are expected in the next few years. Left unattended, these increases threaten to make the already huge backlogs of initial claims and appeals much worse.

There are also severe problems in the delivery of other services to the public at SSA, particularly at its field offices. These include the inability to get through to these offices on the telephone, and the long waiting times for walk-in customers in many offices. In addition, there are huge backlogs in workloads that occur after beneficiaries are receiving benefits, such as initiating repayments of amounts that beneficiaries have been overpaid.

Much of the service delivery problem at SSA has been due to staffing shortfalls, and these in turn have been due to inadequate funding through FY 2007. However, subsequent to FY 2007, funding has improved as a result of actions taken by the Appropriations Committees and the new Administration, as well as by the Finance Committee, the Ways and Means Committee, the Budget Committees, and other interested Senators and Representatives. In FY 2008, the final amount appropriated was $148 million more than the President' Request. In FY 2009, the Appropriations Committees provided for $126 million more than the amount sought by President Bush. Moreover, the Appropriations Committees and the new Administration included an additional $1 billion for SSA in the economic recovery bill, half of which is to be used to cope with the huge increase in disability claims caused by the severe recession. (The other $500 million is for land and buildings for a new National Computer Center that is desperately needed).

Even with the increases in funding recently provided, the huge increases in new claims resulting from the recession have already put enormous pressure on SSA, and will continue to do so if more funds are not appropriated. Fortunately, President Obama recognized these needs for SSA for FY 2010. He has requested a 10% funding increase of $1.1 billion from FY 2009 to FY 2010; the total amount requested for FY 2010 is $11.6 billion. We strongly recommend that the Budget Resolution call for this amount in full, and that the Appropriations Committee provide for this full amount later this year.

The President's Budget for FY 2010 proposes that Congress allow for upward adjustments to the 302(a) appropriation ceilings included in the Budget Resolution. These adjustments can be used only for certain program integrity activities, and each adjustment is only allowed to occur if the base amount for that activity is fully appropriated. One such adjustment would be for SSA to conduct additional Continuing Disability Reviews (CDRs) and SSI redeterminations. CDRs detect payments in SSA's disability programs to beneficiaries who are no longer disabled. These reviews save $10 for each dollar spent. SSI redeterminations review the eligibility of Supplemental Security Income (SSI) beneficiaries each year. Seven dollars is saved for every one dollar spent on these redeterminations.

The President's Budget proposal for $11.6 billion for SSA for FY 2010 includes both a base amount of $273 million for CDRs and SSI redeterminations and an additional $485 million "upward ceiling adjustment" for these same purposes. We recommend that the Budget Resolution include both the base amount and the adjustment mechanism. The President's Budget includes the savings from these program integrity provisions in its estimates of the deficits it proposes for each year. We recommend that the Budget Resolution do the same. The President's Budget also proposes that significant funding be dedicated for these activities in each of the next five years. We recommend that the Budget Resolution follow suit.

Social Security taxes and benefits are given special status in that they are considered "off-budget." The cost of administering the program, however, remains within the overall allocation ceiling on appropriated spending in the Budget Resolution. We recommend that the Budget Committee take legislative steps to make the budgetary treatment of Social Security taxes, benefits, and administrative costs consistent.

Progress Toward Fiscal Sustainability

The Senate Finance Committee has legislative jurisdiction over all federal taxes and more than half of all federal spending. As a result, this Committee has a special obligation and a unique opportunity to address our nation's long-term fiscal challenge.

We have already taken steps to establish a bipartisan working group along with the HELP Committee to develop a comprehensive health care reform proposal. If this effort is successful, it could achieve substantial long-term savings in Medicare and Medicaid. Additional efforts may be necessary to achieve a sustainable long-term budget policy.

Some in Congress and the Administration have called for a special commission to address this problem. However, given the fact that our Committee has primary responsibility over most of the Federal Budget, we have a fundamental duty to take the lead on this critical issue.

In furtherance of our effort, we request that the Budget Resolution for FY 2010 include projections of GDP, spending, revenues, deficits, and publicly held debt for years eleven through thirty, if feasible for CBO to produce. These projections should also show the sub-categories of spending and revenues utilized in CBO's Long-Term Budget Outlook report, published in December 2007. These long-term projections will provide a metric to determine the impact of health care reform. Our goal is to make a substantial down-payment toward achieving a sustainable long-term budget policy. These long-term projections will show whether or not additional efforts in other areas of the budget will be necessary.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510–6225

March 13, 2009

The Honorable Kent Conrad
Chairman
Committee on the Budget
Washington, DC 20510

Dear Senator Conrad:

We write in response to your request for the views and estimates of the Committee on Foreign Relations, as required by Section 301 (d) of the Congressional Budget Act of 1974, regarding the budget for programs under the jurisdiction of the Committee. Most, but not all, of the programs within function 150 are under the jurisdiction of the Committee on Foreign Relations.

At the outset, we would like to emphasize our support for the President's request for the function 150 account. We believe it is vital that we continue to invest in our front-line diplomatic and development capabilities. The best way for us to ensure national security objectives, achieve foreign policy objectives and improve the effectiveness of our foreign assistance programs is to fully fund our international affairs budget. Despite increases in the last decade, the international affairs agencies remain underfunded and understaffed. That is not our conclusion alone, but supported by numerous studies performed within and without the government. International affairs funding is the "first line of defense," and the request should be treated as a floor, not a ceiling.

We believe the request improves fiscal discipline and transparency by shifting funding for recurring programs, previously funded in supplemental appropriations, into the base request. When supplemental requests are taken into account, the FY 2010 budget is approximately a 9.5% increase over FY 2009. This budget reduces reliance on emergency supplemental appropriations by increasing key accounts and programs for which funding is predictable and recurring. For example, the budget includes increased funding for humanitarian assistance accounts and UN Peacekeeping Missions that reflect ongoing costs. While emergency supplementals may be required in the future, they should focus on truly unanticipated events and not be used to fund regular programs.

We also urge the Committee to bear in mind the difficulty of estimating foreign affairs funding needs over the duration of the budget resolution. Predicting the future in foreign policy can be complicated, because many events that affect the course of policy fall outside the control of the United States. Nonetheless, our international interests will not decrease over this period – in the current age of globalization, with increasing ties in commerce, travel and communications, we are only becoming more interconnected.

We face a continuing threat of attack by international terrorist organizations. As the Director of National Intelligence Dennis Blair told the Select Committee on Intelligence last month, the current international security environment is extremely complex, with a challenging global financial situation exacerbating an already growing set of political and economic uncertainties. Our ability to deal effectively with the regions, regimes, and crises that affect our interests, to forge an effective response to today's economic challenges, to neutralize the threat of global terrorism, to combat the proliferation of weapons of mass destruction, and to mitigate and roll back the impact of global climate change will all hinge on the resources we devote to our foreign policy institutions and personnel. In sum, our security and economic interests dictate that we continue to provide adequate funding for the international activities of our government. Against this background, let me discuss several specific items that your Committee should consider in preparing the budget resolution.

Afghanistan

We understand that the President's budget will include a far more honest accounting of the likely war costs for Afghanistan in the years ahead. We welcome this long-overdue step, which will help improve transparency, enhance oversight, and save vital resources. Since emergency supplemental appropriations will not be used for programs for which funding is predictable and recurring, we expect to see increased funding levels for Afghanistan in the FY 2010 budget, reflecting the sense of urgency we face in bringing stability to the region and denying al Qaeda and other extremists sanctuary. In 2002, President Bush made a pledge to the people of Afghanistan that the United States would stand by them. Since then, our reconstruction efforts have fallen far short of expectations and our budget for Afghanistan has consistently failed to fund a strategy for success.

It is in our vital national interest that the FY 2010 budget reflect a new unified, cohesive approach to Afghanistan that links security, development, and governance objectives across the civilian-military spectrum. To this end, we welcome the increases in funding in the FY2010 request for governance, reconstruction, counternarcotics, other development activities, and for additional civilian personnel. The Committee on Foreign Relations will closely review the ongoing programs in Afghanistan, and we expect the Committee will reauthorize the Afghan Freedom Support Act (P.L. 107-327) at significantly higher levels than the 2002 bill. Key priorities for Afghanistan should include combating the insurgency, countering the narcotics trade, building a stable, democratic state that is responsive to the needs of its people, and building professional security forces able to defend the country's borders and its people.

Pakistan

We are convinced Pakistan is at or near the very top of our national security priority list. For too long now, our policy towards Pakistan has been ad-hoc and reactive instead of a comprehensive approach that invests in Pakistani institutions and its people. One of our top priorities on the Committee will be to seek swift passage of the Enhanced Partnership with Pakistan Act, which we plan to introduce in the coming weeks. The bill would authorize tripling non-military assistance of up to $1.5 billion each fiscal year starting in FY 2010 to Pakistan through projects that will strengthen democratic institutions, promote economic development, and encourage investment in the agriculture, education, and infrastructure sectors. The Committee is closely following developments in Pakistan and working with the Administration to ensure an integrated regional approach in efforts to defeat extremist threats. To this end, we are pleased the President's FY 2010 budget request will include refocused resources toward addressing the resurgence of al Qaeda and the Taliban in Pakistan, which we believe is the central front in the global counterinsurgency. We would hope to see at least a tripling of non-military aid in the FY2010 request and a significant increase in international military educational and training funds (IMET), in line with the President's appreciation of the enormous challenges facing us there. We also welcome the President's decision in the FY2010 request to expand the number of civilian personnel in Pakistan in an effort to stabilize the country, build government capacity, and successfully manage expanded assistance programs.

Non-proliferation

An ongoing priority of the Committee will be to improve the non-proliferation and counterterrorism posture of the United States. The Administration understands the need to harness all our non-military resources to keep the world's deadliest weapons, materials and technology out of the hands of the world's most dangerous people. Congress, in turn, must provide the funding to do that.

Committee priorities in this area will include: ensuring that sufficient resources are available to take advantage of any opportunities to verifiably disable and dismantle sensitive nuclear facilities in North Korea; providing robust funding in a timely manner to key international organizations carrying out critical non-proliferation tasks, such as the International Atomic Energy Agency, the Organization for the Prohibition of Chemical Weapons, and the Preparatory Commission for the Comprehensive Test Ban Treaty Organization (particularly by eliminating the need to defer our contributions to these organizations to the very end of the calendar year); funding State Department efforts to promote biosecurity worldwide; enacting the Global Pathogen Surveillance Act to strengthen the ability of developing countries to detect and combat bioterrorism threats and infectious diseases; and reviving the Key Verification Assets Fund to give the Department of State some ability to help develop or maintain critical arms control and nonproliferation verification capabilities. The authorization of appropriations for these initiatives is expected to be $170 million in FY 2010 and $200 million in each of the out years.

As highlighted in the past by Senator Lugar and my predecessor as Chairman, the Department's Directorate of Defense Trade Controls (DDTC) is seriously under-staffed and in need of funds to hire more full-time personnel to process munitions license applications. Without an increase in funds for the activities of DDTC, license applications for critical arms sales to support our allies and their activities in Afghanistan and Iraq will continue to be processed far more solely that we believe would be the case if more funds were available. In 2007, DDTC had to process more than 40,000 cases with only 34 licensing officer positions filled. By comparison, the Bureau of Industry and Security at the Department of Commerce has far more staff to process far fewer cases involving dual-use export licenses. The previous Administration's DDTC request for FY 2009 was only $6.9 million; a doubling of that figure is warranted, to ensure that DDTC has sufficient funding to hire additional licensing officers.

Finally, we call your attention to some important foreign relations funding needs outside the 150 account. Last year the Bureau of Industry and Security (BIS) in the Department of Commerce cut back its funding of support for U.S. firms that are visited by international arms control inspectors and for Department representation at the U.S. mission to the Organization for the Prevention of Chemical Weapons. There was some question as to whether those actions were in fact the result of budgetary pressures, and some of those actions were later reversed, but we would ask you to make sure that BIS has sufficient funds in FY 2010 fulfill all of its important national security functions. The Foreign Relations Committee is also a strong supporter of the Department of Energy's contributions to arms control verification and nuclear safeguards, and we foresee increased needs in both of those areas.

Reconstruction and Stabilization Assistance

A continuing priority for Senator Lugar and me is to significantly improve the U.S. civilian capacity to undertake stabilization and reconstruction missions in countries that are recovering from war or conflict. This capacity is the core of legislation introduced and passed by the Foreign Relations Committee and the Senate over the last six years and is now established in law. Such a coordinated civilian response has garnered significant vocal support from across U.S. agencies deployed in response to the wars in Afghanistan and Iraq. We were greatly encouraged by the inclusion in the FY2009 budget request of $248.6 million for the Civilian Stabilization Initiative and we support full funding to ensure its impact in Afghanistan and elsewhere. We urge your Committee to sustain the progress made in FY2009 and continue to prioritize funding for this initiative. The request level for the CSI would support continued establishment of a civilian active response corps of 250 personnel, a standby response corps of 2,000, and a civilian reserve of 2,000 drawn from the general U.S. workforce. Our capacity to organize and deploy skilled and effective civilians to respond with alacrity to crises that are in our national interest is essential, especially as essential partners to our military forces.

Global Health

Last year, in a strong bipartisan effort, Congress passed and the President signed into law the Tom Lantos and Henry J. Hyde HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008, authorizing up to $48 billion over five years to combat these three diseases and, through these initiatives, to strengthen health systems in developing countries. Today's financial environment will obviously make it more challenging to fully fund these authorization levels, but we would urge the Committee to consider and build on the enormous progress that has been made in recent years. In these efforts, the President's Emergency Plan for AIDS Relief (PEPFAR) and the U.S. bilateral programs are complemented but not duplicated by our contributions to the multilateral Global Fund to Fight AIDS, Tuberculosis, and Malaria.

President Obama has pledged that he will also seek to build up other core programs to strengthen our investments in child and maternal health and family planning. There are extremely cost effective and life-saving and life-changing interventions in these areas and in efforts to combat other neglected and tropical diseases, and our global health programs are also among our most successful public diplomacy tools. We believe that we need a comprehensive global health strategy as part of a larger undertaking to improve and reinvigorate our development programs and urge robust funding for these critical areas.

Iraq

For the first time since 2001, the President's budget will include an accounting of the likely costs for the war in Iraq, rather than through supplemental spending requests. As Congress considers these increases, care must be taken that the wars in Afghanistan and Iraq do not overwhelm other American foreign policy interests. Because the Iraq and Afghanistan programs will take a disproportionate amount of the State Department's funding, it is important that other countries are not forced to "fight over the crumbs." We expect the State Department's budget for Iraq will reflect the Obama administration's stated policy of increasing Iraq's capacity to take an increasing amount of responsibility for its own affairs. This is most critically important in the security sector, but is true as well in programs that promote the rule of law and better governance, expand the capacities of Iraq institutions, and combat corruption. While the American efforts to reconstruct the Iraqi economy are winding down and should not be renewed, we believe it is important for the Congress to continue to support programs, both in Baghdad and in the provinces that support Iraq's fragile democratic institutions. We also expect the State Department to provide robust assistance for Iraq's internally and externally displaced persons. I would fully endorse such efforts.

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) is an important and innovative development tool, and enjoys our strong support and the continued support of the development community. It represents one of the few institutions in the U.S. Government dedicated to providing long-term development funding. While the expected FY2010 appropriation, between $1.4 and $1.5 billion, falls significantly below the FY 2009 request of $2.225 billion, this level will allow MCC to fulfill future compact commitments in its pipeline, including critical countries such as Jordan. We feel this is an appropriate level in which to fund MCC and we strongly urge fully funding this request.

Development Assistance Funding

The President requests an increase in funding for the Development Assistance account, reversing a declining trend in this account as well. We believe it is important to ensure an appropriate balance between longer-term development assistance and shorter-term Economic Support Funds. A strong foreign aid program should adequately fund both accounts in order to support a multi-faceted foreign policy. The programs supported by Development Assistance funds – basic education, water and sanitation, agriculture and trade capacity building – are essential building blocks for developing countries. We support the request level for this account.

Humanitarian Assistance

We are encouraged by the President's decision to increase humanitarian assistance funding to reflect projected emergencies and contingencies, especially funds for the International Disaster and Famine Assistance account. As we have conveyed in prior years, we do not believe requesting additional funds through budget supplementals represents the most prudent approach to dealing with emergencies. In each of FY 2004 through FY 2007, the total appropriation for the International Disaster and Famine Assistance account has exceeded $500 million. There is little reason to expect this year to be any different. Increasing humanitarian assistance funding allows humanitarian agencies working on the ground to better plan, leading to lives saved and more efficient expenditure of taxpayer funds. We believe this is a much more sensible strategy and we support fully funding these accounts.

Global Food Security

The spike in food prices that occurred in 2007 and 2008 caused an additional 75 million people into poverty. There are now nearly one billion people in the world who suffer from chronic hunger. While global prices have abated somewhat, they remain high in many parts of the world. Even more alarming are trends, which if they continue, will cause increased pressure on food supplies and prices in the near future. Population growth is projected to reach 9.2 billion people by 2050, requiring farmers to at least double production in order to keep pace. However, they will need to increase their yield at a time when further pressures from water and land scarcity, fluctuating fuel prices, degraded land, deforestation, and the effects of climate change in the form of deteriorating weather patterns all conspire against them. We must recognize that hunger and poverty are related conditions. Addressing food security must be understood to encompass rural development, with investments in roads, irrigation systems, markets, education, health, and job creation. Food security has important implications for political stability as evidenced by riots that took place in nearly 20 countries in 2007 and 2008 in response to high food prices.

Funding from international donors for agriculture and rural development has fallen to some of its lowest historical levels. We urge that the budget resolution reflect the need to increase U.S. foreign assistance for agriculture and rural development.

Contributions for International Peacekeeping Activities

In past years, the presidential budget request for Contributions for International Peacekeeping Activities – the account through which we pay the U.S. share of United Nations peacekeeping operations – at times significantly underestimated the amount required to pay the U.S. proportionate share of assessments. In an era in which the demands on peacekeeping are rising in terms of both numbers and the difficulties of the missions, it is critical that we anticipate these costs realistically. During the coming year, the situation in Darfur may continue to escalate, as judged from the events of recent days, while Southern Sudan is approaching critical benchmarks in the implementation of the Comprehensive Peace Agreement. In the eastern Democratic Republic of Congo there are signs of hope, but the possibility of progress demands renewed rather than diminishing international commitment. In January, the United Nations Security Council, in response to U.S. prodding, signaled that it was considering a peacekeeping mission in Somalia. In short, the needs in Africa alone continue to grow, while important missions in Lebanon, Haiti, and elsewhere are ongoing. We urge the Committee to consider these complex and in some cases escalating situations in evaluating the budget for the coming year.

Migration and Refugee Assistance

Past requests in FY 2009 ($931 million) and FY 2008 ($1.023 billion) for the Department of State's Migration and Refugee (MRA) account fell far below needed amounts. The Fiscal Year 2008 appropriation was significantly higher and still required additional supplemental funds. It is essential to build in supplemental resource requirements for State and USAID humanitarian accounts into base requests. These diminished resources are most troubling at a time when sizable refugee crises continue across the world, and the State Department must divvy funds between Iraqi refugees and those in places such as Gaza, Sri Lanka, DRC, Pakistan, Afghanistan, Colombia and Chad. Funds should allow the State Department to address current and expected emergency requirements. Moreover, these lower levels follow a year where Congress took its own action to assist the up to two million Iraqis lingering in neighboring countries in the Middle East, some in makeshift camps, others fighting for survival with no assistance. Millions more Iraqis still remain internally displaced within Iraq, and the world community is struggling to address their needs, as well as those on other continents. The budget resolution should assume a higher level of funding, at least consistent, but preferably higher, than FY 2008's level.

Global Climate Change

The international community is actively engaged in an effort to reach a new agreement to address global climate change. As agreed in Bali Action Plan, the components of the agreement will include: mitigation actions by developed and developing countries, adaptation efforts to address the impacts of climate change, development and deployment of clean energy technologies, and financing to support the developing world in meeting climate change goals. As we work toward a global agreement, the United States must support developing countries in their efforts to manage the impacts of climate change on their crops and water supplies, and adopt clean energy pathways to forestall higher emissions in the future. In 2007, the Bush administration proposed a $2 billion investment over three years in the Clean Technology Fund at the World Bank. We strongly support increased levels of funding for the World Bank's Climate Investment Funds, and support expansion of that funding to include the Strategic Climate Fund and the Pilot Program for Climate Resilience. In addition, we believe the United States should pursue additional financing structures to support the international climate change negotiations, and urge that significant funding is included in the FY 2010 budget for these purposes.

International Violence Against Women

Current U.S. efforts to address violence against women are well-intentioned, but fragmented and piecemeal, lack systemic integration into current U.S. foreign assistance programs and are sorely underfunded. Gender and women's programs potentially affect more than half of the world's population, and the vast majority of the world's particularly vulnerable populations. Our approach can, and must be, more effective if our investments are to positively impact the global economic decline. Funding levels for USAID's Office of Women in Development fell far below the expected $10 million, to $6.7 million for FY 2009. This is far too low to effect any improvement in women's equality or protection. Recently, the President announced his intention to nominate Melanne Verveer as Ambassador-at-Large for Women's Issues. In order to put meaning to this position, we must provide funding levels adequate to the importance placed on women's issues in the State Department. Last year, we introduced comprehensive legislation to address the issue, entitled the International Violence Against Women Act (S. 2279). The bill would significantly increase the amount of funding available to support programs to prevent and address violence against women. These funds would be coordinated by both State and USAID in a comprehensive, global approach. We will re-introduce the bill this year, and we urge your support for the additional funding contemplated by this bill. Additional funding does not need to wait, however, as structures currently exist in both USAID and State to fulfill this mandate.

State Operations and USAID Operating Expenses

The 2010 budget request includes funding for the first year of a multi-year effort to significantly increase the size of the Foreign Service at both the Department of State and USAID. An increased cadre of State and USAID Foreign Service officers will help advance our critical foreign policy goals and deliver on our expanding foreign assistance commitments. We believe sufficiently funding this account is an essential cornerstone to rebuilding the capacity of one of our most important foreign policy tools. This request will continue to allow State and USAID to recruit, hire and train badly needed new Foreign Service Officers, barely covering attrition rates. Several studies in the past few years—including by the Governmental Accountability Office and the American Academy of Diplomacy—have noted that the State Department and USAID suffer from serious personnel shortages. We have asked them to expand their missions and operations into new theaters like Iraq and Afghanistan. We cannot expect to achieve U.S. foreign policy objectives if we do not provide appropriate resources.

Extension of the Overseas Private Investment Corporation

The basic authorities of the Overseas Private Investment Corporation (OPIC), set forth in Section 234(a), (b), and (c) of the Foreign Assistance Act of 1961, expired at the end of FY 2007, but have been extended by Congress to [September 30.] We are planning to introduce OPIC reauthorization legislation in March. We believe a majority of the Senate supports OPIC programs. Therefore, the budget resolution should assume the continuation of OPIC operations.

Direct Spending

We request that the Committee provide the Committee on Foreign Relations with a small allocation (not more than $10 million) for direct spending for Fiscal Year 2010. In recent authorization legislation for the Department of State, the Committee has approved provisions related to management and personnel in the Department that have resulted in small amounts of direct spending, though most of these provisions affect direct spending and revenues by less than $500,000 annually.

We appreciate your consideration of these views, and look forward to working with you on the budget resolution.

Sincerely,

Richard G. Lugar
Ranking Member

John F. Kerry
Chairman

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510–6250

March 13, 2009

The Honorable Kent Conrad
Chairman
Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Judd Gregg
Ranking Member
Committee on the Budget
624 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

Thank you for affording me the opportunity to provide my views and estimates regarding the President's Fiscal Year 2010 budget as it affects matters within the purview of the Homeland Security and Governmental Affairs Committee (HSGAC). As you prepare the budget resolution for Fiscal Year 2010 (FY 2010), I hope the following recommendations and comments will assist you in preparing a budget plan for the federal government. This letter addresses both matters related to the Department of Homeland Security (DHS) and agencies that fall under the Committee's Governmental Affairs jurisdiction.

As you know, the President's full budget request for Fiscal Year 2010 has not yet been submitted to Congress. Therefore I am unable to weigh in on new or expanded initiatives that may appear in that request to the extent that I have in previous letters to the Budget Committee. After Congress receives the details about the priorities of the Administration, I may wish to provide the Budget Committee with additional views on several matters addressed in this letter.

Budget Overview for the Department of Homeland Security

The President's Budget Overview requests $42.7 billion in discretionary funding for the Department of Homeland Security in FY 2010. This represents a 6.5% increase from discretionary funding of $40.1 billion in FY 2009, if one excludes the one-time $2.175 billion advance appropriation for the Bioshield program that was included in the FY 2009 budget (without than exclusion, the increase would only be 1.2%).

We do not yet know in any detail how the Administration proposes to allocate this modest increase in funding among the Department's many needs. What is clear is that there are still areas in which we will need to invest more if we are to adequately meet the challenges of securing our homeland. This letter highlights some of those areas, including areas the President has cited as priorities in his Budget Overview.

DHS Headquarters and Management

To continue the crucial transformation of DHS into a unified Department, I recommend that the Committee increase funding for offices that fall under the Office of the Secretary and Executive Management and Under Secretary of Management accounts. Offices that are funded under these accounts, including the Office of Policy, Office of the Chief Financial Officer, Office of the Chief Information Officer, and Office of the Chief Procurement Officer, are critical for ensuring that the Secretary is able to effectively manage and integrate the components of the Department, exercise control over the acquisition process to avoid waste and abuse, and promote practices that generate savings for the Department. I request that these offices be funded sufficiently above FY 2009 levels to achieve these ends.

DHS Acquisition Workforce. The budget should also fully fund DHS initiatives to grow and train its acquisition workforce. Many of the Department's troubles in planning, negotiating and overseeing contracts flow from the sheer shortage of acquisition personnel. The Department has made significant strides in addressing these shortages, including the creation of an acquisition professional career program and new training requirements for program managers. More resources are needed, though. In the area of contract specialists alone, the Government Accountability Office (GAO) recently reported vacancy rates in component procurement offices ranging from 12 to 35%. GAO also reported staffing shortages in other critical acquisition-related positions such as program managers and system engineers. For example, GAO found that 40% of DHS major investments lacked a certified program manager. An investment in acquisition personnel will pay off in the form of better crafted and better executed contracts, and less waste of taxpayers' dollars.

DHS Headquarters Construction. I fully support the construction of a consolidated headquarters for the Department of Homeland Security. Today, DHS is spread throughout more than 70 buildings across the National Capital Region making communication, coordination, and cooperation between DHS components a significant challenge. I believe Congress should continue to provide support for this important project, and view it as a critical cornerstone of efforts to improve management at the Department. Consolidating the majority of DHS's functions into one location is essential to establishing a unified DHS culture and boosting morale.

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In FY 2009, Congress appropriated a total of $1.094 billion for the DHS Consolidated Headquarters Project at the St. Elizabeth's Campus in Washington, DC. This total includes both funding provided as part of the regular appropriations process and funds provided in the American Recovery and Reinvestment Act (P.L. 111-5; ARRA). The decision to expedite this critical project in the ARRA was important for both our nation's security and the local National Capital Region economy. Additional funds may be required in FY 2010 to maintain the momentum and cost savings generated by the FY 2009 appropriations and keep the project on schedule.

Office of Inspector General. As a large and young department, it is critical that DHS have a strong oversight component. The DHS Office of Inspector General (OIG) is a key partner in ensuring the success of the Department and its vital homeland security and other missions. It is critical that we maintain and if possible increase resources for the OIG. The OIG has seen a steady increase in its workload, including statutory obligations. While there have been some funding increases for this office, much of the increase reflects specific responsibilities related to FEMA and there are additional areas where the OIG needs to increase its focus as well. I strongly urge continued support for the work of this vital office, and increased resources if possible.

Homeland Security and First Responder Grants

Homeland security grants, and the state and local capabilities they support, are an integral part of the national effort to prevent, prepare for, and respond to acts of terrorism and natural disasters. I am therefore pleased that, after a number of years of steep cuts in homeland security grants to state and local governments and first responders, this funding has remained relatively stable for the last two fiscal years. Also welcome is the suggestion in the Administration's Budget Overview that "[a]dditional funding is provided [in the FY 2010 budget] to improve coordination between all levels of government, support our first responders, and create more effective emergency response plans"; I look forward to seeing further details of the Administration's proposed funding in this area when the full budget is released.

Because state and local governments and first responders rely on homeland security grants to protect their communities and keep their citizens safe, I urge that funding for these grants be maintained at levels no lower than FY 2009 levels and believe that, in some cases, increased funding is warranted.

SHSGP and UASI: The two largest and most fundamental of the homeland security grant programs, the State Homeland Security Grant Program (SHSGP) provides all states with basic, multipurpose preparedness funds, while the Urban Area Security Initiative (UASI) targets grants to the nation's highest-risk cities. Both the SHSGP and UASI programs were permanently authorized in the 9/11 Commission Recommendations

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Act as part of comprehensive provisions – the result of extensive debate and negotiation among many interested parties – that for the first time set forth statutory requirements for the grants' allocation and use. The Act authorized appropriations of $950 million for SHSGP and $1.05 billion for UASI in FY 2010, and I urge that these programs be funded at the full authorized levels.

Interoperability: Communications interoperability is essential for disaster response and other homeland security and public safety needs, and the development of interoperable communications is perennially a top priority for state and local homeland security officials. Interoperability is a complex problem that will be resolved only through strong federal leadership, coordination at all levels of government, and a substantial commitment of dedicated funding. I recommend that the Interoperable Emergency Communications Grant Program (IECGP) established in the 9/11 Commission Recommendations Act be funded at the level authorized by Congress for FY 2010, $400 million.

Firefighters: Assistance to Firefighter Grants and Staffing for Adequate Fire and Emergency Response (SAFER) grants provide critical federal assistance to our nation's firefighters, through support for needed equipment, training and personnel. Appropriations for both programs are authorized in the Federal Fire Prevention and Control Act at levels significantly in excess of current program funding. I urge that both these important programs be funded in FY10 at or, if possible, above FY 2009 appropriated levels: $560 million and $190 million for Assistance to Firefighter and SAFER grants respectively.

Emergency Management: The Emergency Management Performance Grants (EMPG) program is an important program that has traditionally focused on essential planning efforts and helps build the capabilities for states and localities to be prepared for all hazards – whether a natural disaster or an act of terrorism. The 9/11 Commission Recommendations Act authorized appropriations for EMPG of $680 million in FY 2010, and I recommend that the program be funded at that level.

Transportation Security Grants: Congress has recognized that our ports and transit systems, as well as rail, bus, and truck operators, still have substantial vulnerabilities. In recent legislation, Congress has identified hundreds of millions of dollars worth of needed security improvements: the SAFE Port Act of 2006 authorized $400 million for port security grants in FY 2010, while the 9/11 Commission Recommendations Act authorized $900 million for transit security grants, $508 million for rail security, and $27 million for bus and truck security in FY 2009. While I recognize that it may be impossible to fully fund each of these authorizations, I strongly recommend that the port and transit (which includes rail) security grant programs each receive at least $400 million for FY 2010, the same level Congress appropriated for FY

2009, and ask that the bus security program increase from $12 million in FY 2009 to $16 million in FY 2010 to assist in addressing significant unmet needs in that area.

Medical Response: From its inception following the Oklahoma City bombing, the Metropolitan Medical Response System (MMRS) has ensured that local planning, exercises and execution of disaster response plans among our fire, police, and paramedic first responders is integrated with that of our medical personnel, our clinics and our hospitals. Each of the 124 MMRS jurisdictions serves to coordinate local and state pandemic flu plans, maintains a stockpile of chemical and biological agent antidotes allowing local first responders to operate under otherwise dangerous conditions, and is charged with the responsibility of developing plans for the rapid movement of patients when disaster occurs. Yet this program has been under-funded in recent years. In fact MMRS funding in FY 2009 ($41 million) was lower than in FY 2004 ($50 million). The Post-Katrina Emergency Management and Reform Act of 2006 (the Post-Katrina Act), P.L. 109-295, authorized MMRS funding of $63 million dollars for FY 2008 and I believe this is an appropriate level of funding in FY 2010 as well. Among other things, additional funding would allow MMRS assistance to be expanded to additional jurisdictions.

Nonprofit Security Grants: For four out of the last five years, funds have been appropriated for grants to nonprofit organizations determined to be at high risk of a terrorist attack to support target hardening and other security measures; $25 million was appropriated in both FY 2005 and FY 2006 (FY 2006 funds were not awarded however until FY 2007), and $15 million was appropriated in FY 2008 and FY 2009. We have seen the willingness of terrorists to attack so-called "soft targets" – for example in the November 2008 attacks in Mumbai, India. There is a public interest in protecting those institutions where important health, social, community, educational and other services are carried out, and I urge that funding for nonprofit security grants be continued at no less than the modest levels appropriated in FY 2005 and FY 2006, and, if possible, at higher levels.

Federal Emergency Management Agency (FEMA)

Following Hurricane Katrina, HSGAC conducted an extensive investigation of the botched response and of FEMA, which found that FEMA was woefully unprepared to deal with a national catastrophe, lacking essential capabilities and resources. HSGAC made significant recommendations for improvements to FEMA, which were implemented in the Post-Katrina Act. The Act creates a new FEMA – a stronger, more robust entity that would, for the first time, be equipped to prepare for and respond to a true catastrophe. The legislation also puts preparedness functions back into FEMA; strengthens FEMA's regional offices and emergency response teams; and strengthens and enhances emergency planning and preparedness responsibilities.

***Building the New FEMA*:** In order to implement the Post-Katrina Act, over the last couple years FEMA received much needed increases in resources that were essential steps in the long process of building the new FEMA and implementing other provisions of the Post-Katrina Act. However, additional substantial increases are still necessary. In April 2008, HSGAC held a hearing on a report of the DHS OIG entitled "FEMA's Preparedness for the Next Catastrophic Disaster." The report found FEMA was making progress in building its capacity to respond to a catastrophe, but repeatedly emphasized that budget shortfalls and staff shortages were negatively affecting FEMA's progress. The report also found that FEMA officials agreed with this conclusion. In addition, our Committee's ongoing investigation into the threat of and preparedness for nuclear terrorism corroborates the continuing need for a more robust FEMA. Recent hearings on the the nation's readiness for nuclear terrorism revealed that preparedness improvements could save tens if not hundreds of thousands of lives.

Additional resources are needed to fulfill the statutory requirements in the Post-Katrina Act and other gaps that have recently emerged. For example, the Post-Katrina Act requires FEMA to establish strike teams – a special type of highly skilled and trained interagency emergency response team – in each of FEMA's 10 regions. FEMA currently has only 2 national teams and 4 of the required regional teams. FEMA estimates that $3 million is necessary to fund each of the required 6 additional teams. Additionally, a recent report of the DHS Office of Inspector General, "Major Management Challenges Facing the Department of Homeland Security," concludes that FEMA has not yet met the Post-Katrina Act's requirement to establish a logistics system, and that FEMA needs to continue hiring and training acquisition personnel, and developing reliable, integrated financial and information systems. Comprehensive disaster response planning across the federal government and in conjunction with state and local governments is critical and additional resources are needed to expedite these efforts. The National Response Framework recently made FEMA the lead agency to provide mass care in a response, instead of the American Red Cross. FEMA also requires additional resources to fulfill this critical, new mission.

Additionally, FY 2009 appropriations did not include any specific funding for the private sector preparedness certification program required in section 901 of the 9/11 Commission Recommendations Act. Without dedicated funding, I am concerned that this program, which is vital to our homeland security, will not be properly implemented, leaving us more vulnerable to terrorist attacks and other disasters.

In order to continue to build FEMA into an entity that can respond to a catastrophe, implement the other requirements of the Post-Katrina Act, complete essential planning, fulfill the mass care mission, and to provide funding for implementation of the private sector preparedness program, I ask that you increase FEMA's Management and Administration account and other relevant aspects of FEMA's budget in FY 2010 by $125 million over FY 2009 appropriated levels. This will be another essential step forward in the long process of building the new FEMA.

Pre-Disaster Mitigation Fund: Mitigation has proven to be a cost-effective measure. HSGAC has found that Pre-Disaster Mitigation (PDM) is an effective program for reducing loss of life, personal injuries, damage to and destruction of property, and disruption of communities from disasters. This assessment is supported by recent studies. In 2007, the Congressional Budget Office (CBO) found that future losses are reduced by about $3 for each $1 spent on mitigation efforts supported under the PDM program. Moreover, CBO found that PDM-funded projects could lower the need for federal post-disaster assistance so that the federal PDM investment would actually save taxpayers money in terms of the federal budget. Additionally, a recent study by the Multi-Hazard Mitigation Council found that every dollar FEMA spends on mitigation provides the nation $4 in future benefits. Congress authorized PDM funding of $220 million for FY 2010, and I believe this is an appropriate level of funding for FY 2010 given the clear benefits of mitigation.

***Emergency Food and Shelter*:** This important and highly effective program provides emergency assistance to supplement community efforts to meet food, shelter, and other related needs of homeless and hungry persons to all fifty states. Given the crippling recession that is gripping our country, funding for this program should be increased substantially over the FY 2009 appropriated level.

Border Security and Immigration

The President's budget offers few details concerning border security programs and does not establish a baseline for Customs and Border Protection (CBP) or Immigration and Customs Enforcement (ICE) funding in FY 2010. I support increases of $390 million for CBP and $90 million for ICE in FY 2010, as detailed below.

With respect to border security in general, I am concerned that the border security funding may not be being targeted as efficiently as it should be. For example, border technology and infrastructure programs have received over $3 billion dollars since FY2007, yet the department has only piloted the border technology program in a 28 mile stretch of the border since it began receiving this funding and is tentatively scheduling deployment of a scaled back version of this technology to 50 miles of the border by sometime in 2010. The Border Patrol has almost doubled in the last three fiscal years, while the number of CBP officers at ports of entry has remained basically stable despite long wait times at the border. If this trend continues, it could lead to a misalignment of resources and the under-funding of critical border security priorities, in particular this nation's efforts to enhance the security of our ports of entry through the deployment of programs such as the Western Hemisphere Travel Initiative (WHTI), the Electronic System for Travel Authorization (ESTA), and US-VISIT.

Border Security at the Ports of Entry: For the reasons stated above, I support an increase of $285 million over the FY 2009 appropriated level for additional staffing at ports of entry. Of this additional funding, $250 million would be for hiring, training, and deploying an additional 1,600 officers to the busiest ports of entry (POE) as determined by average wait times at air and land POE or at maritime POE as determined by the Resource Allocation Model required by the SAFE Port Act of 2006 (P.L. 109-347). The

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balance of $35 million would support the inspection of plants and agricultural products at ports of entry, including the hiring of 200 additional agriculture specialists who serve a critical role in protecting the U.S. from both the intentional and unintentional introduction of diseases and pests that threaten human health and the nation's economy.

Western Hemisphere Travel Initiative: I recommend an increase of $30 million, to $255 million, for continuing the implementation of WHTI. Congress extended the WHTI deadline to June 1, 2009, which means that FY 2010 will be the first full year in which the program is in effect at the land border. In order to support DHS as it moves to fully implement this critical program, it is important that we provide the Department the necessary resources it will need to ensure it meets all the requirements established by Congress.

Training for Border Patrol Agents: The President's budget request notes that Border Patrol manpower will be maintained at 20,000 agents in the FY 2010 budget. I am concerned that the rapid increase in Border Patrol agents over the past five years has resulted in a less experienced workforce, and for this reason I support increasing funding for training between the POE by $25 million to $100 million in FY 2010. This funding should be used to ensure that Border Patrol agents are receiving ongoing training, with a special emphasis given to agents transferred to the northern border.

Ports of Entry Infrastructure: The nation's port of entry infrastructure is currently significantly out of date, which led to the inclusion of $400 million in POE infrastructure funding in the American Recovery and Reinvestment Act (P.L. 111-5) within CBP's construction account. While this funding is a good first step, it merely represents a down-payment on the far greater need to modernize our ports of entry. For this reason, I support maintaining funding for the CBP construction account at $403 million in FY 2010.

Combating Border Violence: I am greatly concerned about the rapid increase in violence involving the drug cartels in Mexico, which has claimed the lives of over 6,000 people in the last year and shows little signs of slowing. The combination of increasing enforcement at the U.S. border, which has made smuggling drugs more difficult, and the Mexican government's commitment to take on the cartels has resulted in an all out war amongst the cartels and between the cartels and Mexican authorities. As the cartels become increasingly ruthless, they may increasingly turn their attention to the U.S. side of the border. In fact, attacks on Border Patrol officers are becoming more common and more severe. For this reason, I propose providing CBP with $50 million in additional funding to better coordinate the border response to the violence in Mexico, including providing funding for the establishment or enhancement of fusion centers along the southwest border and for expanding the Integrated Border Enforcement Teams (IBETs) which bring together law enforcement entities from both sides of the border.

Combating Smuggling and Trafficking: One of the main catalysts of the violence in Mexico has been the rampant flow of illegal firearms south from the United

States. In order to meet our responsibilities to our southern neighbor, I recommend providing ICE with an additional $50 million to expand their Armas Cruzadas program, which investigates and interdicts the cross-border smuggling of firearms, and their Border Enforcement Security Teams (BESTs). I also recommend an increase in funding for the Human Smuggling and Trafficking Center (HSTC). The Center was established by Section 7202 of the Immigration Reform and Terrorism Prevention Act (IRTPA) in order to serve as a focal point for interagency efforts to integrate and disseminate intelligence and information related to terrorist travel. The HSTC coordinates and de-conflicts intelligence, law enforcement and other information to bring more effective international action against human smugglers, traffickers of persons and criminals facilitating terrorist travel. This function is more important than ever given the current war involving the Mexican cartels. I urge you to include $30 million to allow the Center to carry out its existing responsibilities, increase staffing levels and reimburse other federal departments for personnel.

Detention and Alternatives to Detention: In each of the last three years I have introduced bipartisan legislation, The Secure and Safe Detention and Asylum Act, to address the inhumane treatment of asylum seekers and other ICE detainees in county jails and other prison-like detention facilities. One important provision of the legislation requires the nationwide expansion of existing alternatives to detention programs (this provision was also included in a modified version of the bill accepted by the Senate in 2007). These programs not only ensure more humane treatment of non-criminal aliens, they also save the U.S. taxpayer tens of millions of dollars. Successful alternatives to detention programs rely on a combination of close supervision by case managers and, when necessary, electronic monitoring. The programs can be introduced in new regions quickly and their caseloads expanded rapidly. Whereas detention facilities often cost ICE well over $100 per person per day, successful alternatives to detention programs have incurred an average cost of approximately $15 per person per day, and the average costs have come down as the programs have expanded. I recommend that funding for alternatives to detention programs be increased by $60 million and that there be a corresponding reduction of $50 million for ICE detention operations.

Rail and Transit Security

As the President's recent FY 2010 budget proposal makes clear, the Department of Homeland Security must ramp up its efforts to assist state, local and private operators in safeguarding the Nation's rail and public transportation systems. The attacks in Madrid, London and Mumbai make it all too clear that terrorists see rail and transit systems as convenient and inviting targets. Unlike our domestic aviation system, our rail and transit systems are open systems designed to quickly move commuters to, from and through our communities. Every weekday, Americans make 34 million trips a day, to or from their jobs, schools, shops, doctors and millions of other places. It is imperative that the Department of Homeland Security and Transportation Security Administration (TSA) in particular work with local rail and transit providers to ensure the safety and security of their passengers.

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Surface Transportation Security Inspectors: As a recent report by the DHS OIG makes clear, TSA's complement of Transportation Security Inspectors – Surface (TSIs) is woefully inadequate for the responsibilities they are expected to fulfill. Thus far, TSIs have only been able to profile about half of the mass transit stations in the United States, and this workforce will be further strained when TSA begins using more inspectors to oversee pipeline security matters. By comparison, the Department of Transportation employs more than 1,350 surface safety inspectors for the same infrastructure that TSA must help protect. I believe TSA will need to increase the number of surface security inspectors over the next several years, to ensure timely profiles and assessments are completed and so that TSA is able to properly respond to security incidents, working with local authorities. Therefore, I recommend $50 million in funding for FY 2010, an increase of more than $25 million over the amount appropriated for FY 2009, for TSA's Surface Transportation Security Inspector office to hire, train and deploy 175 additional TSIs in the next fiscal year.

VIPR Teams: I strongly support the President's budget requests $50 million for TSA's Visual Intermodal Protection Response (VIPR) teams – providing for 15 new teams. These teams, made up of TSIs, Transportation Security Officers, Behavior Detection Officers, Federal Air Marshals, Canine Teams and local transit police, are designed to provide both random and surge force protection capabilities to transportation hubs across the country. VIPR teams are an important component of a layered defense strategy for rail and transit security.

Transportation Security Center of Excellence: The 9/11 Commission Recommendations Act authorized the creation of a National Transportation Security Center of Excellence, to stimulate research, development and training for transportation security – particularly surface transportation security. The National Transportation Security Center of Excellence is actually a consortium of universities located across the country that can help provide the basic research needed for the future of transportation and homeland security. I recommend the Science and Technology Directorate be provided with $3 million in FY2010, an increase of $1 million, to help accelerate basic research and development for rail and transit security.

Planning for Intermodal Freight Infrastructure: I support the request in the President's budget for $25 million for integrated planning at DHS and the Department of Transportation for the development and modernization of intermodal freight infrastructure, linking freight rail networks with our ports and highway network. Intermodal transportation hubs are key components of our transportation network, and are a particular risk to the health of that network, as an attack at or near an intermodal hub would have a cascading effect on domestic and international commerce.

Port and Maritime Security

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Port and maritime security continues to be a major issue in U.S. homeland security. 95% of foreign trade enters through our ports. An attack at a U.S. port would damage our critical infrastructure and have devastating consequences for our economy. While several initiatives to strengthen maritime security overlap with other broad responsibilities of DHS – like border security or nuclear detection – several discrete CBP and Coast Guard programs contribute directly to our maritime security. I support fully funding the President's request for programs like CBP's Container Security Initiative (CSI), the Customs-Trade Partnership against Terrorism (C-TPAT), and the Automated Targeting System (ATS), as well as the Coast Guard's Deepwater and Rescue 21 programs. As noted earlier, I also support increasing funding for additional Customs and Border Protection Officers, who could be deployed to maritime ports of entry, for research and development within the Science & Technology Directorate's Maritime Security Division, and for nuclear detection programs throughout DHS.

Interagency Operations Centers: A recent Committee hearing on the lessons learned from the attack in Mumbai last year highlighted that major cities all over the world, including in the U.S., remain vulnerable to threats from small vessels. While DHS and the Coast Guard continue to look at ways to address this vulnerability, one step that can be taken is to provide the Coast Guard with the authorized amount for the creation of Interagency Operations Centers at domestic ports. The SAFE Port Act authorizes $60 million for FY 2010 for the establishment of these centers, and I urge you to fully fund this program in the Coast Guard's budget.

Project Seahawk: In FY 2010, DHS is prepared to assume responsibility for one of the first interagency operations centers established. Project Seahawk was created in 2003 through the Department of Justice, establishing a model interagency operations center which brought CBP, Coast Guard, and U.S. Attorney's office personnel together with local port and law enforcement officials, in order to improve local port security operations. I believe local participation contributes to the success of Project Seahawk, and other interagency operations centers, and I urge you to include $1 million to fund Project Seahawk's State and Local Law Enforcement Integration program.

Secure Freight Initiative: In 2006 Congress passed the SAFE Port Act, and in the process authorized a pilot program to begin testing systems to scan 100% of cargo containers at foreign ports, using passive radiation detection equipment combined with non-intrusive inspection equipment. The Secure Freight Initiative (SFI) was established by DHS and the Department of Energy to meet this legislative requirement. For the past 18 months operations have continued at the majority of the initial ports and DHS has been able to identify particular hurdles ports would need to overcome if foreign ports were going to scan 100% of cargo containers. In particular, DHS has acknowledged that larger volume ports and ports which process a great deal of transshipped cargo pose some of the biggest challenges. Therefore, I support an additional $30 million for SFI in FY 2010, above the President's request, to be equally split between CBP's budget and the Department of Energy's National Nuclear Security Administration budget, for the purpose of adding two new ports to the SFI program. One port would be added to test scanning solutions for a port processing a high volume of transshipped cargo, and a second port would test systems processing medium to high volumes of containers (though not necessarily transshipped containers).

United States Coast Guard

As the Commandant of the Coast Guard noted at his recent annual State of the Coast Guard Address, there has never been a greater demand for the service of the Coast Guard. Since 9/11, the Coast Guard has continued to perform its vital traditional missions – from Marine Safety to Environmental Protection to Search and Rescue – while continuing to accept an ever increasing responsibility for homeland security. The modernization of the Coast Guard, not just with its equipment and vessels, but also of its personnel, has become the key to the future success of the service. Therefore I recommend the budget include funding for no fewer than 1,250 new FTE, including both military and civilian personnel, for the Coast Guard in FY 2010. I urge you to provide at least $250 million in the budget for this purpose.

Coast Guard Academy: The Coast Guard Academy is a vital component of the Coast Guard, and responsible for educating and providing a significant portion of the service's science and engineering personnel. The success of the Academy translates very directly to the overall success of the Coast Guard. Over the past several years, the Coast Guard Academy has been renovating a number of its facilities, to ensure it remains a first class institution of higher learning. One of the more visible projects has been the ongoing renovation of the cadet dormitory, Chase Hall. I support the President's request for funding to continue efforts to renovate Chase Hall in stages. However, I believe the Academy needs additional funding for several key programs and projects, and I recommend including an additional $21.6 million in the Coast Guard's budget to fund key improvements. These include funding for a new firing range, funds to plan and design a new Visitors Center, and funding for the Academy's Admissions Office.

Federal Protective Service

The Federal Protective Service (FPS) is responsible for providing security for more than 8,000 federal buildings around the country, and the more than 12 million federal employees working in them. In each of the past two years, the previous Administration proposed realigning the FPS and cutting approximately 25% of the existing uniformed security personnel within the agency. In response, Congress required the Federal Protective Service to maintain no fewer than 1,200 full-time equivalent staff (FTEs), including at least 900 law enforcement officers. Congress also required that the FPS adjust the fee it collects from the agencies it serves in order to meet the FTE requirement and maintain an appropriate level of security for federal employees and buildings. In the authorization bill for the Department of Homeland Security that I introduced in Congress last year, I proposed raising the floor for FPS personnel to 1,300 FTEs, including at least 950 law enforcement officers, for FY 2010. Therefore I recommend you include $675 million for this purpose in FY 2010, an increase of approximately $25 million over what was provided in FY09. (Please note that the Federal Protective Service is a fee-funded agency, and does not receive direct appropriations.)

Directorate of Science and Technology

The DHS Directorate of Science and Technology (S&T) has matured into an effectively managed organization that is equipped to provide timely and scientifically sound research and development support to the missions of DHS agencies. S&T's Integrated Project Teams are incorporating the requirements of operational users into the Directorate's strategic planning and budgeting process. Rigorous financial and oversight reforms have addressed the management issues that prompted Congress to reduce the Directorate's budget by nearly 40% in 2006. The Directorate has issued a revised and expanded five year research and development plan for DHS and established a testing and evaluation quality assurance process that has addressed weaknesses identified in the Advanced Spectroscopic Portal (ASP) acquisition program and will inform DHS investment reviews of major technology acquisitions.

In light of the Directorate's steady progress in the last two fiscal years, I believe it is prudent to continue the gradual restoration of the Directorate's funding base that began in the FY 2009 budget. Therefore, I strongly support an increase of $100 million to ensure S&T's capacity to address several of the primary homeland security objectives articulated in the President's FY 2010 Budget Overview, including cybersecurity, border security, rail and transit security, and support to first responders.

Within this $100 million increase, I recommend that you provide for an increase of $25 million for cybersecurity-related research and development (R&D), which would expand existing R&D programs focused on enhancing the security of our nation's information technology networks and the critical infrastructure which rely upon those networks. In addition, I recommend an increase of $25 million in FY 2010 to expand on the important programs that the Directorate's Border and Maritime Security Division is funding with the guidance and approval of the U. S. Coast Guard, the Transportation Security Administration and U.S. Customs and Border Protection.

I recommend $25 million to support R&D on rail and mass transit security. The security needs and challenges for the open environment of a transit system differ greatly from those of the aviation environment. The Directorate needs additional funding for research and development on projects related explicitly to surface transportation security. Finally, I support funding to institutionalize and expand the primary programs at S&T that directly support the development of homeland security technologies for use by DHS agencies and state and local first responders, and thus recommend an additional $25 million to be allocated among the Directorate's Transition Thrust and Innovation Thrust Areas and its Testing & Evaluation and Standards Division.

Domestic Nuclear Detection Office

The Domestic Nuclear Detection Office (DNDO) plays a critical role in improving the nation's ability to detect and prevent terrorists' use of a nuclear or radiological weapon within the United States. The Office should be funded at a level no less than FY 2009 appropriated levels, and within this budget funds should be allocated to address critical gaps in strategic planning and conduct basic and advanced R&D on next-generation nuclear detection technologies, nuclear forensics techniques, and nuclear incident response and recovery technologies.

Infrastructure Protection and Cyber Security

Improvised Explosive Devices: I support an increase in funding for the Office for Bombing Prevention (OBP) within the Office of Infrastructure Protection (OIP). Last year, this office received $11 million, an increase of $1 million over the FY 2008 appropriation. While I'm pleased to see this funding increasing, I believe OBP's budget needs to more than double. In the 110th Congress, HSGAC reported the National Bombing Prevention Act (S. 2292) authorizing $25 million annually for OBP and I recommend that the budget resolution reflect this necessary level of funding. The Office of Bombing Prevention is responsible for coordinating the Department's efforts to prevent, deter, detect, and respond to improvised explosive devices (IEDs) in the United States. OBP also provides the majority of the Department's infrastructure protection training courses for state and local officials and the private sector. The FY 09 funding level of $11 million is simply not sufficient to perform these functions.

Chemical Site Security. I am pleased that the Department continues to move ahead with the critical Chemical Facility Anti-terrorism Standards or CFATS program. This is a critical and long overdue effort to enhance security at facilities, some in or near densely populated areas, that make or use hazardous chemicals and could prove inviting targets for terrorists. As Congress examines how best to reauthorize this program, it is essential that it receive adequate funding to continue the work of soliciting and reviewing facility security plans and beginning site inspections. Last year, DHS saw a significant funding increase for the CFATS program to $73 million, and we need to maintain and expand those resources in the coming fiscal year.

Cyber Security. I support the increase that is proposed in the President's Budget Overview for the National Cyber Security Division (NCSD), which would bring its overall budget to $355 million. As a nation, we continue to be compromised by cyber incidents at an alarming rate and we must respond to this threat. Last year, the Comprehensive National Cybersecurity Initiative was implemented to better protect our information networks – bringing a new focus to this critical issue. With the additional resources that the Department received, I have been pleased with how it has been able to expand its capabilities to better monitor federal information systems. Still, with the broad mandate of NCSD, there is much work that remains to be done as the Directorate continues to grow and I believe these funds are critical for NCSD's success.

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Office of Intelligence and Analysis

The DHS Office of Intelligence and Analysis receives funds under the Analysis and Operations (A&O) account in the DHS budget, which received $327.4 million in FY 2009. The funding details within this account are classified. I recommend that the A&O account receive a moderate increase in FY 2010, to maintain current analytic activities within the Office of Intelligence and Analysis and expand of the DHS State and Local Fusion Center Program by providing DHS analysts to additional fusion centers around the country.

U.S. Census Bureau

I support the Administration's budget requests $4 billion for conducting the 2010 Decennial Census. As the President stated in his budget proposal, the Decennial Census will entail the hiring of approximately half a million temporary workers, as well as an extensive paid advertising campaign and partnership activities to encourage participation by hard- to-reach populations. The most costly portion of the 2010 Decennial will be the Non-Response Follow Up where the Census sends out temporary workers to follow up in person with non-responding households. According to the Bureau, for every 1% increase in mail response of the Decennial survey by U.S. residents, the Census Bureau will save an estimated $100 million. However, the Bureau faces major challenges in conducting the 2010 Decennial due to various society trends – such as increasing privacy concerns, more non-English speakers, and people residing in makeshift and other nontraditional living arrangements, and a more mobile population – making it harder to find people and get them to participate in the census.

National Archives and Records Administration (NARA)

While the President's Budget Overview does not have a specific funding level for the National Archives and Records Administration (NARA), I am hopeful that the Administration intends on increasing its funding, which has not kept pace with the importance of its mission in recent years. The role of the National Archives in protecting and preserving our national heritage continues to be critical – particularly as the number of records it preserves and protects continues to increase exponentially. Furthermore in recent years NARA has received many additional responsibilities, including the creation of Office of Government Information Services to oversee Freedom of Information Act activities government-wide. In 2008, it was designated as the lead agency for the implementation of the Controlled Unclassified Information (CUI) framework, which is intended to streamline the use of sensitive, unclassified information within the federal government. To sustain the new CUI Office, NARA should receive an additional $2 million in FY 2010.

I also believe that the administration should increase the budget for the National Historical Publications and Records Commission (NHPRC) – which supports the efforts of NARA to preserve and publish any material relating to the history of the United States. Last year, this Committee passed the Presidential Historical Records Preservation Act of 2008 (P.L. 110-404) which gave additional responsibilities to the NHPRC to make grants to preserve records of former Presidents, providing online access to the documents of the founding fathers, and create a database for records of servitude, emancipation, and post-civil war reconstruction. I believe these important missions require additional funding for the Commission, to allow it to also continue its important role in protecting the records that define this country.

U.S. Postal Service

The Postal Service continues to experience accelerated declines in mail volume and revenue, primarily due to the current economic crisis. In fiscal year 2008, the Postal Service recorded a loss of $2.8 billion, and it is expected that the Postal Service could lose $6-8 billion, if not more, in the current fiscal year.

I therefore recommend that we consider providing the Postal Service with some sort of financial relief. One option, recommended by the Postal Service (USPS), is to allow USPS to pay its retiree health care premiums for current retirees out of the Retiree Health Benefits Fund (Fund) and not the Postal Service directly, thus changing the governmental source of funding. Currently, the Postal Accountability and Enhancement Act (P.L. 109-435) requires the Postal Service to pre-pay its retiree health benefits obligations for future retirees into the Fund, while it makes payments for current retirees. Thus, changing the source of funding of current retiree health benefits from the Postal Service to the Fund would provide USPS with financial relief during this economic downturn. This is a high priority issue for the Committee.

Office of Federal Procurement Policy

The Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget needs a substantial increase in its budget. Already responsible under statute for forming government-wide policies to guide federal procurement, OFPP also has been tasked by Congress recently to address a range of complex issues, including clarification of the definition of inherently governmental work that may be performed only by federal employees, development of safeguards to prevent conflicts of interest, the drafting of a plan to strengthen the acquisition workforce, prevention of the misuse of interagency contracts, improvement of the transparency of data relating to contracting, and enactment of stricter rules for use of cost-reimbursement contracts. President Obama also has directed OFPP to develop new government-wide guidance to strengthen competition and improve management of federal contracting, which exceeded $532 billion last year and is routinely cited by the Government Accountability Office and the Inspectors General as an area of government operations rife with waste, fraud, and abuse. Currently OFPP is staffed by approximately 14 employees, including administrative support staff. In order to tackle the size and scope of the problems at hand, I recommend that OFPP's budget be increased to allow, at a minimum, a doubling of its staff.

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Privacy and Civil Liberties Oversight Board

The 9/11 Commission recognized that as the U.S. government expands its efforts to fight terrorism, it must take care to safeguard bedrock national protections for personal privacy and civil liberties. In 2004, following the Commission's recommendation, Congress created the first Privacy and Civil Liberties Oversight Board within the Executive Office of the President. The Board was tasked with providing advice and oversight on anti-terrorism policies. However, the original Board proved neither as robust nor as independent as Congress had envisioned. In 2007, Congress moved to reconstitute the Board as an independent entity outside the Executive Office of the President, and with enhanced powers. That provision, which included a six-month transition period to stand up the new Board, passed as part of the 9/11 Commission Recommendations Act.

Unfortunately, the last Administration was slow to work with Congress on naming a new board, with the distressing result that we have had no Privacy and Civil Liberties Board at all since early last year. I will call on the new Administration to work with Congress to approve a new Board as soon as possible, and I urge your support for robust funding for its operations. Appropriators have provided $1.5 million in start up money for the Board for the current fiscal year. The authorizing legislation provided $5 million for the Board in its first year, rising to $10 million at full strength. With this in mind, I urge that the Board receive at least $5 million in FY 2010, and more if we can expedite getting the new members in place to use it effectively.

Civilian Employee Pay Parity

For uniformed personnel, the Administration's FY 2010 Budget includes funding for a 2.9% pay increase, an amount that the Budget summary says will improve their purchasing power. The men and women in our armed forces, who risk their lives for us to defend our nation every day, deserve our gratitude and support, and I fully support this proposal.

I believe that we must equally support our federal civilian employees, who also work tirelessly to secure our homeland and our way of life. Some civilian employees work side-by-side with military personnel, both in battle areas and at training and support locations. Others protect our borders and perform other essential jobs securing our homeland, protecting our health, safety, and environment, addressing the challenges to our financial security, and proudly serving the public in countless other ways. Adequate civilian pay is essential not only for fairness, but also for effective human capital management. An insufficient pay raise would undermine morale at a time when the government faces critical needs to recruit and retain the highly skilled workforce needed to meet essential responsibilities.

However, for civilian employees the Budget provides for a 2.0% pay increase, significantly below the 2.9% for uniformed personnel, explaining that the civilian pay increase is limited in response to the current economic climate. I find this disparity between the level of support for our civilian and military personnel to be disappointing. Accordingly, I plan to work with my colleagues in the Congress and with members of the Obama Administration to see whether we can find our way clear to provide a pay increase for federal employees on a par with that for military personnel – fair compensation that they both deserve because they have earned it by loyal service to our country during these challenging times.

* * * * *

I appreciate this opportunity to comment on issues of concern to the Committee on Homeland Security and Governmental Affairs.

Sincerely,

Joseph I. Lieberman
Chairman

cc: The Honorable Susan Collins

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

March 13, 2009

The Honorable Kent Conrad
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

The Honorable Judd Gregg
Ranking Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Chairman Conrad and Ranking Member Gregg:

I appreciate the opportunity to provide the Committee on the Budget with my views and estimates regarding the President's Fiscal Year (FY) 2010 budget as it affects programs under the jurisdiction of the Committee on Homeland Security and Governmental Affairs. I am submitting this letter pursuant to section 301(d) of the Congressional Budget Act and hope that it will assist the Budget Committee in preparing a FY 2010 budget plan for the federal government.

Given the paucity of specific information in the proposed FY 2010 budget pertaining to funding for the programs within the jurisdiction of the Homeland Security and Governmental Affairs Committee, my comments must necessarily be general in nature and are based on FY 2009 enacted levels and Congressional Budget Office estimates.

Department of Homeland Security

The Department of Homeland Security (DHS or Department) was formed six years ago with the goal of achieving a more efficient and better coordinated national effort to prevent, prepare for, protect against, respond to, and recover from acts of terrorism and other disasters within the United States. While DHS has made significant progress in securing the homeland, more work is required to achieve the benefits intended by Congress in the Homeland Security Act of 2002 and in many other subsequently enacted laws. The President's budgets must ensure that our nation's homeland security priorities are properly funded.

For FY 2010, the President's proposed budget authority for the Department is $42.7 billion, a 1.2 percent increase over the FY 2009 enacted level of $42.2 billion, excluding the stimulus funding for the Department. It is troubling that the Department's proposed budget decreases by $300 million in FY 2011 and then by $500 million in each successive year through FY 2014. These decreases will make it difficult for the Department to continue to fulfill its many important missions.

Federal Emergency Management Agency

Unfortunately, the President's FY 2010 budget request does not provide an overall funding level for the Federal Emergency Management Agency (FEMA). I believe, however, that FEMA must receive funding at least commensurate with the FY 2009 enacted level. This level of funding will ensure that FEMA continues to implement important improvements mandated by the Post Katrina Emergency Management Reform Act (PKEMRA) and can effectively assist State, local, and tribal governments, emergency response providers, the private sector, and individuals and communities in their efforts to prepare for and respond to all-hazards, whether natural or man-made.

State and Local Programs (Grants). While the President's budget overview does not contain precise funding figures for FEMA's homeland security grant programs, I urge you to fund many of these critical programs at their authorized levels. Specifically, I am especially concerned that the level of funding for the State Homeland Security Grant Program (SHSGP) be maintained at FY 2009 levels. SHSGP is a vitally important program that allows all States to build baseline levels of capabilities to prevent, protect against, respond to, and recover from acts of terrorism. Indeed, it is the main source of homeland security assistance to State, local, and tribal governments and first responders. Communities use these funds for a variety of important activities, such as emergency planning, risk assessments, mutual aid agreements, equipment, training, and exercises. Moreover, because terrorists do not always live and plan in areas they ultimately intend to strike, SHSGP ensures that States – both large and small – are able to build capabilities to confront terrorist activity before it occurs. I urge you to fund SHSGP at the $950 million level authorized in the 2007 homeland security law, which is also equal to the FY 2009 enacted level.

I also request that Operation Stonegarden – a crucial program that provides needed funds for border security operations by State and local law enforcement agencies – continue to be funded at sufficient levels and as a line-item separate from SHSGP. In FY 2009, Congress carved out the $60 million in funding for Operation Stonegarden from SHSGP, diverting scarce resources from States that need the funding under SHSGP to prepare for terrorist attacks. I oppose such a carve-out in FY 2010 and, therefore, request that Operation Stonegarden receive dedicated funding while maintaining overall SHSGP funding.

With respect to the Department's critical infrastructure protection grant programs, the Port Security Grant Program should be funded at $400 million, the level authorized in the Security and Accountability for Every Port Act of 2006 (SAFE Port Act). Our ports are vital centers of commerce that are vulnerable to potential terrorist attack. An attack at a U.S. port could cause great loss of life, damage our energy supplies and infrastructure, cripple retailers and manufacturers dependent on incoming inventory, and hamper our ability to move and supply American military forces. Port security grants can be used to address identified vulnerabilities, purchase needed equipment, conduct training and exercises, and establish information sharing mechanisms. I recommend fully funding the $400 million authorized by the SAFE Port Act.

The President's budget overview for FY 2010 also requests $260 million from the existing Homeland Security Grant Program to "fortify the Nation's intelligence system by improving information sharing and analysis by adding thousands more State and local level intelligence analysts." While the overview lacks additional details regarding this spending, I remain supportive of efforts to improve our nation's intelligence and information sharing systems, and look forward to reviewing the exact scope of projects to be funded by this request. Like the carve-out for Operation Stonegarden, however, I urge you to fund this proposed grant program separately from SHSGP, while otherwise maintaining the overall funding level for SHSGP.

Finally, the budget overview supports "risk-based exercise assistance grants [to] assist State, local, and tribal partners in offsetting costs of critical homeland security activities and [to] expand their Medical Surge Capacity with the stockpiling and storing of essential supplies." I have been a strong and consistent supporter of homeland security exercises, but I believe that it is critical that all States develop and maintain an exercise capability, as many smaller States will be relied upon to perform mutual aid responsibilities in the event of a major catastrophe. All areas of the country must have proper training in their roles and responsibilities prior to an actual emergency. I look forward to learning more details from the Administration about funding levels for this initiative.

Firefighter Assistance Grants. In FY 2009, Congress funded the Assistance to Firefighters Grant Program (commonly known as the FIRE Act) at $565 million, far short of the authorized amount of $1 billion. Recognizing the critical role that America's fire service plays in protecting our communities, Congress established the FIRE Act grant program to address deficiencies in training, equipment, and live-saving protective gear. The need for added funding for this program has never been greater; last year, for example, FEMA received several billion dollars in requests for FIRE Act grant funding, yet it only had a fraction of that amount to allocate. The authorization for the FIRE Act is due to expire at the end of this year. I am now working on legislation to reauthorize the FIRE Act and intend to authorize appropriations at the current authorized level of funding. Thus, I request funding at least equal to last year's enacted levels for this vital program.

I also ask that you fund the Staffing for Adequate Fire and Emergency Response (SAFER) Act grant program at levels at least equal to the $210 million Congress provided in FY 2009. Congress established the SAFER Act program to help local fire departments – both volunteer and career – increase the number of trained, "front-line" firefighters available in their communities. At a time when State and local governments face record budget shortfalls, fire departments have been among the first agencies to feel the effects. The SAFER Act program helps to ensure that all of our communities remain safe and that our first response organizations have the resources they need.

Emergency Management Performance Grant. The Emergency Management Performance Grant (EMPG) Program provides vital funds to support State, local, and tribal emergency management activities, such as all-hazards planning. Although the 2007 homeland security law authorized $680 million for EMPG for FY 2010, I encourage you to fund this important program at no less than $487 million, which is the minimum amount of funding necessary to satisfy certain unmet needs identified by our nation's emergency managers.

National Protection and Programs Directorate

The Department established the National Protection and Programs Directorate (NPPD) in early 2007 following the breakup of the former Preparedness Directorate and its partial relocation to FEMA as required by PKEMRA. NPPD's primary responsibility is to advance the Department's risk-reduction mission by focusing on critical infrastructure protection, cyber security and emergency communications, Department-wide risk management and analysis, and the US-VISIT program. I support sufficient funding for NPPD to accomplish its wide variety of important missions.

Bombing Prevention. The Office of Bombing Prevention (OBP) should be funded at $25 million for FY 2010, an increase of about $15 million from the FY 2009 enacted level. Despite OBP's lead role in implementing the Department's responsibilities under the National Bombing Prevention Strategy and its Implementation Plan, Congress did not provide enough funding in FY 2009 for OBP to coordinate all Department-wide bombing prevention efforts and maintain its other programs, such as information sharing through TRIPwire, community awareness, and multi-jurisdictional planning. The OBP needs this level of funding to support its broad mission, especially given that the use of improvised explosive devices (IEDs) is on the rise around the world. Indeed, the White House and the Intelligence Community have identified IEDs as one of the most likely terrorist threats to the homeland. For these and other reasons, I plan to re-introduce the "National Bombing Prevention Act of 2007," which the Homeland Security and Governmental Affairs Committee reported favorably in 2008. This legislation would authorize $25 million for OBP, a level calculated with the assistance of numerous bombing prevention experts.

Protective Security Advisors. The FY 2010 budget should fund the Protective Security Advisor (PSA) Program at a level sufficient for NPPD to continue its plans to expand the program. The PSA Program places Departmental personnel in communities across the country to assist State and local governments and the private sector in protecting critical infrastructure. Until last year, however, not all States had PSAs, notwithstanding the program's unqualified success. I supported the Department's expansion of the PSA Program and, thus, urge you to fund it at a level sufficient to maintain one PSA in every State.

Chemical Security. The Department needs an adequate level of funding to continue implementing its Chemical Facility Anti-Terrorism Standards (CFATS), an interim final rule that regulates security at high-risk chemical facilities throughout the United States. As part of the Department of Homeland Security Appropriations Act, 2007, Congress granted the Department – for the first time – broad authority to create and implement a chemical site security program. In April 2007, the Department issued regulations implementing CFATS. Since that time, the Department has made significant progress in implementing this critical security program. The implementation of strong, Federal chemical facility security regulations is an important step in preventing, and ensuring an appropriate response to, terrorist attacks and other emergencies that could cause a dangerous release of chemicals into the environment. Chemical security remains a high priority for the Homeland Security and Governmental Affairs Committee, and I support maintaining funding at least at FY 2009's enacted level of $73 million. Such funding will enable the Department to review site security plans and to conduct audits and inspections of high risk facilities.

Cybersecurity. I also support the President's budget request at the unclassified level for $355 million to fund the operations of the National Cyber Security Division within the Department and for continued implementation of the Comprehensive National Cybersecurity Initiative (CNCI) first announced in January 2008. The threat of intrusion on our government's computers is growing, and we need this investment to ensure the security of information, ranging from personal data concerning the beneficiaries of government programs to cutting edge technology the government is developing to secure the homeland. The FY 2010 budget, however, should allow flexibility to accommodate strengthening of the CNCI and DHS's activities in support of it in the event that the Administration's ongoing reviews result in substantial changes to the federal government's efforts to secure cyberspace. I am particularly concerned that the National Cyber Security Center receive the necessary resources and authority to fulfill its government-wide mission of analyzing threats to our federal systems and setting policy designed to secure them.

Federal Interoperability. The Integrated Wireless Network (IWN) project, which is administered by the Office for Emergency Communications, is intended to create a nationwide, consolidated, interoperable wireless communications system for employees of DHS and the Departments of Justice and Treasury. Despite the hundreds of millions of dollars already spent on IWN, a December 2008 report from the Government Accountability Office (GAO) found that IWN is no longer being pursued as a joint development project by the three departments. GAO found that the departments were not able to agree on a common outcome or purpose to overcome their differences in missions, cultures, and ways of doing business and, therefore, were not continuing to coordinate. Any future funding for IWN in the budget should be contingent upon the submission of a joint implementation plan by the Departments of Justice, Homeland Security, and Treasury.

United States Customs and Border Protection

U.S. Customs and Border Protection (CBP) is responsible for securing our border and ports and preventing admission of dangerous people and goods. The CBP budget for FY 2010 should contain funding to hire more CBP Officers at Ports of Entry, as would have been required by the DHS reauthorization bill that Senator Lieberman and I introduced last year. These officers would reduce the deficit in the number of officers at the Ports of Entry that has been identified in CBP's existing staffing model. This year, the Border Patrol will grow to more than 20,000 agents, and the budget should contain funding to support these agents. In addition, the budget should include sufficient funding for the ongoing replacement and upgrade of CBP's radio communications system. This project is critical to ensuring the safety of CBP officers and Border Patrol in the field, who sometimes lack the ability to communicate with dispatchers or fellow officers on demand, in real time, as needed. The budget also should have funding to continue the modernization of the Traveler Enforcement Communications System, which CBP officers use to screen travelers at the border. This project is necessary to ensure that the officers have the best information available to them to keep our enemies out while letting our friends in.

The FY 2010 budget should also include funding, as authorized in the SAFE Port Act, for other important terrorism prevention programs, including the Container Security Initiative (CSI), the Automated Targeting System (ATS), and the Customs-Trade Partnership Against Terrorism (C-TPAT). C-TPAT is a voluntary public-private sector initiative to strengthen overall international supply chain and U.S. border security; it requires trade-related businesses to undergo security audits and to take other steps to secure their supply chains to receive certain benefits, such as priority processing for CBP inspections. CSI identifies and examines maritime containers that pose a risk for terrorism at foreign ports in order to keep potential threats far from America's shores. And ATS is a critical computer-based system that helps CBP determine which cargo and people present a higher risk to security and should be targeted for inspections. I support adequate funding for these programs, which will enable CBP to expand control of our borders and secure our ports of entry.

Science and Technology Directorate

The DHS Science & Technology (S&T) Directorate works directly with our nation's universities, research laboratories, and private sector companies to develop state-of-the-art technologies to protect our citizens and critical infrastructure from homeland security threats. Research already funded by the S&T Directorate is producing revolutionary advances in critical technologies relating to the full range of the Department's responsibilities. Among these are technologies designed to protect the public from possible chemical and biological attack, create greater security for the nation's cyber infrastructure, and detect and lessen the effect of explosive devices. Most promising is research and development into advanced composite materials. These materials can be employed to ensure the integrity of cargo shipments into our nation's ports, as well as to improve airline security through the use of air cargo composite containers. It is a priority that the Borders & Maritime Division within the S&T Directorate be adequately funded to support the advancement of composite material manufacturing technologies, including the limited production of composite cargo containers integrated with security features that can be tested and validated for commercial and government use. I, therefore, urge you to fund the Border and Maritime Division's research and development programs at $38 million, an increase of $5 million from the FY 2009 enacted level.

United States Coast Guard

Loran. The President's budget overview proposes "termination of... the terrestrial-based, long-range radionavigation (LORAN-C) operated by the U.S. Coast Guard resulting in an offset of $36 million in 2010 and $190 million over five years." This proposal is inconsistent with the recently released (January 2009) Federal Radionavigation Plan (FRP), which was jointly prepared by DHS and the Departments of Defense (DOD) and Transportation (DOT). The FRP proposed the eLORAN program to serve as the Position, Navigation and Timing (PNT) back-up to GPS (Global Positioning System). The recommendation to terminate LORAN is also at odds with the findings of the 2006 Independent Assessment Team (IAT), which issued a unanimous recommendation to maintain the LORAN program. Finally, this decision defies over a decade of congressional action on this issue, and it would waste the $160 million investment made toward upgrading our nation's LORAN infrastructure over that period. I urge continued funding for LORAN and support the full deployment of eLORAN as a back-up to GPS.

Polar Icebreaking Fleet. With shipping traffic increasing in the Arctic, and with Russia and other nations attempting to stake out territory there to obtain natural resources, a robust polar icebreaking fleet is essential to preserve America's national interests in the changing polar regions. We must expedite the design and acquisition of two new polar icebreakers to augment, and eventually replace, today's aging polar icebreaking fleet, so that we may be able to support an increased, regular, and influential presence in the Arctic. Further, I believe that polar icebreaking is a core mission of the Coast Guard, and I support the initiative to return control of icebreaking funds, in FY 2010 and beyond, to the Coast Guard, as opposed to the National Science Foundation.

Establishment of Interagency Operations Centers. Section 108 of the SAFE Port Act required the establishment of Interagency Operations Centers (IOCs) for port security at all high-priority ports not later than three years after the date of enactment (*i.e.*, October 13, 2006). These operational centers will serve to enhance information sharing, facilitate operational coordination, and facilitate incident management and response during a security incident in the maritime domain. In 2007, DHS identified the 24 high-priority ports that would require interagency operations centers and estimated that the entire project at the 24 ports would cost $260 million, with an annual operating cost of $3 million per center. That same year, the Homeland Security and Governmental Affairs Committee heard testimony from officials associated with the Project Seahawk joint harbor operations center in Charleston, South Carolina. The lessons learned through the Project Seahawk program support continued expansion and funding for additional interagency operations centers in our high-priority ports. Unfortunately, the FY 2009 budget provided only $1 million in funding to the Coast Guard to continue the IOC program, even though the SAFE Port Act authorizes the appropriation of $60 million for each fiscal year from 2007 through 2012. I believe funding should be appropriated in the amount of $60 million for FY 2010, and beyond, so that meaningful progress can continue towards meeting the requirements of the SAFE Port Act.

Deepwater. I am a strong supporter of the Coast Guard's efforts to recapitalize and modernize its aging fleet through the Deepwater program. The need for recapitalizing the Coast Guard's fleet remains as pressing as ever, evidenced most recently by instances of hull failure in high endurance cutters GALLATIN and DALLAS, which resulted in their being taken out of operational service until lengthy and costly repairs can be completed. In each of the last few years, I advocated for increased funding for Deepwater above the Bush Administration's budget requests in order to accelerate the program. In FY 2009, Congress approved a $44 million increase above the former President's request for the Coast Guard's medium response boat to fund the construction of more than 30 of those boats this year. The success of Deepwater is critical to the future of the Coast Guard, and the program must be carefully monitored to ensure that taxpayer dollars are being spent effectively.

Privacy and Civil Liberties Oversight Board

As one of the architects of the Privacy and Civil Liberties Oversight Board (Board), I continue to support the important mission of this body. In 2007, Congress dissolved the original Board and established a new, more independent Board outside the Executive Office of the President. Unfortunately, a new Board has not yet been appointed. In anticipation of the current

Administration nominating members of this Board in the coming year, I support maintaining funding at FY 2009's enacted level of $6.5 million, as this will provide the funds necessary to stand up the new Board and fund its operations.

General Services Administration

The President's FY 2010 budget includes $600 million for the General Services Administration (GSA). The $600 million requested in the President's FY 2010 budget will ensure that GSA-owned ports of entry and federal building projects, including the DHS headquarters consolidation project, will continue to be funded for much needed construction, repair, and alteration; such funding will enable the Department and other federal agencies to fulfill their crucial missions. I, therefore, fully support the request of $600 million for GSA.

U.S. Census Bureau

The President's FY 2010 budget requests over $4 billion in additional funding to conduct the 2010 Decennial Census. With the 2010 census fast approaching, it is important that the Census Bureau has the funds necessary to fairly and accurately count the population of the United States. There is some question as to whether the $1 billion that the Census Bureau received in the American Recovery and Reinvestment Act of 2009 was taken into account when determining the President's FY 2010 budget. I believe it is important to factor in the totality of funds that the Census Bureau has already received when determining the appropriate funding level for FY 2010.

Federal Employee Pay

The President's budget overview proposes an average increase in federal civilian employee pay of 2.0 percent, while proposing an average increase of 2.9 percent for uniformed services personnel. I commend the President's recommendation for a fair pay increase for our military personnel. It is, however, my view that federal civilian employees should be equally recognized for their efforts. For 21 out of the last 23 years, Congress has enacted pay parity for employees in both the federal civilian and military sectors. Indeed, last year, Congress reaffirmed its commitment to pay parity by including language in the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009. Providing equitable pay raises for federal employees is not just an issue of fairness. It is also critical to the recruitment and retention of talented individuals to public service and, therefore, to the successful administration of important federal programs. I will continue to support equal adjustments in the compensation of members of the uniformed services and of federal civilian employees, and ask you to provide for pay parity in the FY 2010 budget.

* * * *

I look forward to working with the Budget Committee on crafting a fair and fiscally sound budget measure that addresses the homeland security needs of our nation as well as the government's major management challenges, thereby helping to strengthen the trust of the American people in their government.

Sincerely,

Susan M. Collins

Susan M. Collins
Ranking Member

United States Senate

COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS
WASHINGTON, DC 20510–6300

March 13, 2009

The Honorable Kent Conrad
Chairman
Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, D.C. 20510

The Honorable Judd Gregg
Ranking Member
Senate Committee on the Budget
624 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Senator Conrad and Senator Gregg:

I'm writing to provide views and estimates by the Health, Education, Labor and Pensions Committee for your consideration as you prepare the fiscal year 2010 budget resolution. The budget request that President Obama has submitted to Congress makes difficult but necessary choices to get our country back on track, and I urge you to give high priority in the budget not only to health reform, but also to increased investments in education and supports and protections for workers and families in these tough economic times. Many of these important priorities are under the jurisdiction of the HELP Committee and are further detailed below.

HEALTH

President Obama has said that health reform cannot wait, and he is right to call for urgent action. Health costs are rising, coverage is declining, and families across the nation feel that quality health care is slipping from their grasp. Health care reform is part of our economic recovery, and we must act quickly to see that all Americans receive quality, affordable health care.

To address the urgent need for action, the President's budget includes an historic commitment to health care reform. The funds he has proposed are the right starting point for the investments needed to achieve comprehensive health reform. Expert analyses indicate, however, that at least twice that amount will be needed to make the promise of quality, affordable health care a reality for all Americans. I urge you, therefore, to include substantial funding for health reform legislation in the budget resolution.

Expanding health care coverage is essential, but expansions of coverage alone are not sufficient to attain the goal of comprehensive reform. Effective legislation must also include measures to improve the quality and efficiency of health care, strengthen long-term support and services, and enhance prevention and wellness. Legislation that includes such provisions will make health care more affordable for families, businesses, and government alike.

Reducing the annual growth rate of federal health expenditures will also make an important contribution to the long-term fiscal health of the United States. Reducing the burden of health costs for businesses will help American industry compete more effectively in the global marketplace. Improving the health of ordinary Americans will give the nation a more productive workforce, and reduce the financial burden of preventable disease and injury.

Only if Congress makes significant investments in the short term can the nation realize these long-term and long-lasting gains. The savings generated by comprehensive health reform will take many years to develop, however, and may not be realized within a ten-year budget window.

Clearly, there is a need for fiscal discipline in achieving health care reform, so it is appropriate for the budget resolution to require that a substantial portion of our national investment in health care reform be offset by spending reductions or revenue increases within the ten-year budget window. In fact, many of the savings that will result from comprehensive health care reform legislation will be realized <u>outside</u> the ten-year budget window. I urge you, therefore, to allow a significant fraction of the current investment in improving our health care system to be offset by these anticipated long-term savings rather than requiring that all savings come within the conventional ten-year budget window.

The investments that we make now in health reform will pay dividends for generations to come, and I look forward to working with you both to see that the budget resolution includes the resources and the flexibility needed to capitalize on this historic opportunity for reform.

I also support the President's investment in medical research, prevention and public health, and the healthcare workforce in his budget.

<u>Medical Research</u>

The budget includes over $6 billion for the National Institutes of Health to support cancer research as a part of the President's multi-year plan for doubling such research. In addition, the budget will build on the current investment under the Recovery Act for comparative effectiveness research, in order to determine the medical treatments that work best for a given condition. Such research is essential to make sure patients have the highest quality care while working to bend the curve to rising health care costs. When coupled with electronic health records, this research can enhance medical decision-making by patients and their physicians. I look forward to working with you to enhance support for medical research at NIH, AHRQ and other agencies throughout the Department.

<u>Prevention and Public Health</u>

I also commend President Obama for investing in important prevention and public health programs in his budget. Whether it is investments in teen pregnancy prevention, HIV/AIDS prevention, or reducing health disparities, the budget should acknowledge that prevention and public health must be supported in order to create a healthier nation and achieve a successful, value-based reform of our health care system. I look forward to working with you to continue to support prevention initiatives at the Centers for Disease Control, the Health Resources and Services Administration, and throughout the Department of Health and Human Services.

Health Care Workforce

The President made a significant investment in the health care workforce in the Recovery Act and his budget request builds on that. As we move toward quality and affordable health care for all Americans, we need to ensure that we have the health care workforce needed to provide the most appropriate care. This budget invests an additional $330 million to address the shortage of health care providers in many communities through loan repayment programs for physicians, nurses, and dentists who agree to practice in medically underserved areas and enhancing the capacity of nursing schools to increase the number of faculty and students. It will also enable States to increase access to dental care through dental workforce development grants. I look forward to working with you on investing in the health care workforce, including pipeline and diversity programs, to ensure the most appropriate care workforce to fit the nation's health needs.

FDA Regulation of Tobacco Products

Last year's budget resolution contained a deficit-neutral reserve fund to facilitate enactment of legislation giving the Food and Drug Administration the authority to regulate tobacco products. That legislation was approved by the HELP Committee, but there was not sufficient floor time for the Senate to act on it in 2008. The cost of FDA regulation will be fully borne by the tobacco industry through the establishment of a user fee assessed on manufacturers, based on their market share. We anticipate that the legislation will be considered by the Senate this year, so it is important that this year's budget provide a reserve fund similar to the one contained in last year's budget.

EDUCATION

The economic and financial challenges we are facing demonstrate that education is more important than ever to our families and to our nation's future. As we take steps to deal with the current economic crisis, we must also make the investments that will go beyond the downtown and benefit our children, our teachers, and our schools. The President's budget request demonstrates a genuine understanding of the importance of these investments, particularly in early education and higher education, and I urge the Committee to include similar support in the budget resolution.

Elementary and Secondary Education

The President's budget supports and strengthens our public schools by focusing on the key investments needed to help all students achieve. It highlights many priorities for reauthorizing the Elementary and Secondary Education Act, such as: investing in better standards and assessments, to ensure that all students graduate ready to achieve in college and the workplace; supporting struggling schools with the assistance they need to improve; and investing in research on what's working in education to learn how to expand these successes.

The budget also highlights the importance of investing in high-quality teachers, which is the most important single factor in ensuring that students receive a high-quality education. I urge the Committee to include in its budget assumptions sufficient funds to double our investment in Title I over the next five years. The American Recovery and Reinvestment Act provides important one-time funds to support schools through this downturn, but we must continue to increase funding for Title I to provide the permanent investment that so many of our schools so urgently need.

Higher Education

The President's budget builds on the recent legislation passed by Congress to ensure that fewer students are kept out of college because of their inability to pay the costs. After years of stagnant funding for student aid, we have finally turned the tide. The College Cost Reduction and Access Act of 2007 authorized $20 billion to make college more affordable for millions of students and families, the largest investment in student aid since the GI Bill. Last year, the Higher Education Opportunity Act took additional steps to keep college costs down and simplify the financial aid process. And just last month, we once again invested in financial assistance for students through the American Recovery and Reinvestment Act, in order to send students and their families a lifeline when they need it most.

The President's budget expands on these accomplishments and sets the right priorities in higher education – including cutting back on unnecessary and inefficient subsidies to private lenders and making federal loan funds directly available to students so that they have the aid they need to go to college and complete college. The President's budget also increases the maximum Pell grant, indexes it to inflation, and makes funding for the program mandatory, to protect students from being squeezed through future appropriations processes. His budget will protect students' access to loans and free up significant funds for student aid and grants to assist in college completion. These are significant changes in the program, and I urge the Committee to seriously consider them in developing its budget assumptions. Together, they will help us finally make real our promise to help more students go to college and obtain a college degree.

Early Education

In the last Congress, we completed work on the Head Start for School Readiness Act, which improves the quality of the Head Start and Early Head Start programs by strengthening their focus on ensuring that children begin kindergarten ready to learn. The legislation was based on over 40 years of best practices to set an improved course for the program. Unfortunately, Head Start was not given adequate resources to serve all eligible students, and the impact of these quality improvements was limited. The President's budget takes a significant step toward guaranteeing that low-income children receive a quality education in their critical early years by doubling funding for Early Head Start and providing a significant increase in funding for Head Start. I commend the President for these investments, and I urge the Committee to provide additional funds to enhance the early care workforce, strengthen program coordination, and further increase access to this support.

I also urge the Committee to recognize the essential role of quality child care, especially in these challenging economic times, by increasing funds for the Child Care and Development Block Grant as recommended in the President's budget. These grants are essential investments in our children, our families, and our future economic prosperity. This year, the HELP Committee plans to reauthorize the Child Care and Development Block Grant in order to improve program quality and ensure that more families are served. Funding increases are critical to accomplishing these goals.

NATIONAL SERVICE

As families and communities struggle with rising joblessness and falling incomes, we must draw on the compassion and ingenuity of the American people by providing greater opportunities for Americans to serve their communities. I commend the President for recognizing this need in his budget proposal, which lays the groundwork for the reauthorization of our national service laws and the Serve America Act now being considered in the HELP Committee. His budget will strengthen the Corporation for National and Community Service, expand and strengthen AmeriCorps, increase opportunities for Americans of all ages to give their skills and time to their communities, and invest in effective nonprofit organizations that are solving national challenges. I urge the Committee to provide for these investments in the budget resolution.

DISABILITY

Almost 20 percent of Americans are persons living with a disability, and the services and support that enable individuals with disabilities to contribute fully to society are essential.

HIV/AIDS

The President's budget provides support for detecting, identifying, and treating domestic HIV. Prevention is clearly a priority, and it is important to keep funding available for the support programs that are essential in improving the lives of persons living with HIV/AIDS, who are increasingly minority women with children and families.

Education and Training

In order to deal with low employment rates among persons with disabilities, it is important to support job programs that help individuals with developmental disorders, including autism. We should increase funding for the Vocational Rehabilitation State Grant programs for individuals with disabilities, particularly the supportive employment programs, since many new high school graduates of special education are now being placed on waiting lists for the services they need to obtain a job.

In addition, I urge the budget to include the funding necessary to maintain the "Ticket to Work" program that supports persons with disabilities of all ages in obtaining employment and enables them to provide for their families and contribute fully to society.

LABOR AND ECONOMIC SECURITY

With the economy in such a severe recession, working families are now struggling more than ever. Unemployment is at its worst in 26 years and out-of-work Americans are having increased difficulty in finding new jobs. The American Recovery and Reinvestment Act made a down payment on aid to workers and their families, but this infusion of long-overdue resources needs to be matched by a long-term commitment to reversing years of budget cuts and rebuilding vital programs that help workers find new jobs, train for new careers, and stay afloat while looking for a job.

Unemployment Insurance and Employment Services

Millions of American workers and their families rely on the unemployment insurance system during these difficult times. Yet a serious lack of administrative funding for the system has resulted in system overloads and delayed provision of benefits. Some workers must wait several weeks just to file their claim on an automated telephone line. Now more than ever, we should be supporting programs that expedite help for the nation's 12.5 million unemployed workers to find jobs and receive needed aid.

Employment Training

The President's budget recognizes that a full and sustained economic recovery requires a full and sustained investment in our current and future workforce. The budget builds on the investments made in job training under the Recovery Act and underscores the need to prepare all Americans for well-paying, continuing jobs. This result is best accomplished by increasing support particularly for jobs in growing sectors such as energy efficiency, green jobs, health care, and technology. I commend the President's recovery investments to train workers to build a new green energy grid for our country, to provide transition resources to assist servicemen and women in obtaining civilian employment, and to assist ex-offenders with reentry to the workforce. Access to education and skill-building programs and services will put people back to work and put the country back on track toward economic prosperity.

In addition to investing in these training programs, we must also invest in better career pathways for our labor force. Targeted investments in low-income communities and in populations struggling to find and retain employment are essential to building a 21st century workforce. We must target additional resources to disadvantaged youth to ensure that America remains competitive in a global economy, including additional investments for training programs that give disconnected youth an opportunity to get back on a path to success. We must also create real incentives to encourage public-private partnerships at the local level, support innovative efforts to guarantee access to post-secondary certificate and degree programs, and increase coordination among federal agencies to maximize the impact of these investments.

It is also important to further increase funding for Workforce Investment Act youth programs by $2 billion, with modest increases for Job Corps and YouthBuild. Increases for all WIA programs are needed, but it is especially important to achieve the goal of doubling the funds for the youth program in order to restore and improve the Youth Opportunity Grant program. These additional investments will provide major education and job training support to youth who struggle with chronically high unemployment rates and only limited access to post-secondary education and training opportunities. Such investments will lay the foundation for strengthening WIA, and also provide a long-term strategy to keep our workforce competitive and making our economy prosperous for all.

Workplace Rights and Protections

Helping workers to obtain their fair share of economic growth requires protecting basic workplace rights. The President's budget clearly makes such worker protections a priority. More vigilant enforcement is long overdue for major standards such as the minimum wage, overtime laws, workplace safety, the Family and Medical Leave Act, and protection of the right to organize and the right to collective bargaining.

Workers in today's job market are more vulnerable than ever to intimidation and discrimination, and have filed a record number of charges with the Equal Employment Opportunity Commission since the recession began. The Commission cannot keep up with this deluge at its current level of funding. Congress has also given it additional responsibilities with the passage of the Genetic Information Non-Discrimination Act and the ADA Amendments Act in 2008. I urge the Committee to increase EEOC funding to $378 million and authorize an increase of full-time equivalents to 3,000 to enable the agency to resolve its growing backlog and protect the right of workers to be free from discrimination.

The goal of protecting workers from discrimination and intimidation is also served by a fully funded National Labor Relations Board. The Board provides essential protection for workers who stand up for themselves in the workplace, and I urge the Committee to continue to see that the Board's budget keeps pace with inflation.

I agree with the President that it is necessary to increase funding for the Wage and Hour Division, which has the fundamental obligation to protect employment rights. Funding cuts in recent years, however, have seriously impaired the Division's ability to protect millions of workers whose rights were violated. The Division needs additional resources to begin to rebuild its capacity to vigorously enforce the law and protect American workers, and I urge the Committee to include a major increase for the Division in the FY 2010 budget resolution.

Our commitment to workers' rights also means maintaining high standards to protect the health and safety of the American workforce. The President's budget promises a much-needed increase for the Occupational Safety and Health Administration. I urge the Committee to support the President's decision to make rebuilding OSHA a priority by increasing the agency's budget to $585 million, including $26 million for standards development and $232 for enforcement at the federal level. It is also important for Congress to live up to its statutory promise to fund 50% of the enforcement costs in state plan states, which will require at least $112.6 million.

In addition, recent budgets for worker safety, health and training and education programs have not kept pace with inflation or growing demand. Congress should support funding for these programs, with an increase to $15 million.

The nation's miners also deserve our strong commitment to their safety and health. Congress has made significant progress in honoring its promise to keep MSHA adequately funded, and I urge you to continue to fully fund MSHA's enforcement budget, so that it can meet its obligation to inspect all underground mines four times a year. It is also important for the Committee to increase MSHA's budget for standards development, so the agency can continue its intention to bring mine safety up to date.

The National Institute for Occupational Safety and Health has a central role in conducting the research that supports OSHA's and MSHA's standards development programs. Over the past eight years, however, NIOSH's ability to provide this basic support has been eroded by inadequate funding. Increased funding for these agencies will be put to best use if we preserve the valuable research, information, and education services that NIOSH provides. I urge the Committee to increase NIOSH's budget to restore the unjustified cuts the agency has endured in recent years.

The NIOSH budget must also cover programs that deliver health care services to the brave men and women who responded to the tragedy at the World Trade Center. The heroes who put their lives and health on the line on September 11th deserve to have these programs fully funded, and to do so will require approximately $200 million next year.

Anti-Poverty Programs

The economic crisis has left large numbers of American families living in poverty or struggling on the brink of poverty. Experts predict that the number of families living below the poverty line will increase by 10 million or more as the recession deepens. In these troubled times, it is more important than ever to increase funding for critical programs such as Community Services Block Grants, which provide funds for organizations that help families in crisis, and Social Services Block Grants, which fund social services for the most vulnerable Americans.

LIHEAP

I also urge the Committee to provide $5.1 billion for the Low Income Home Energy Assistance program, which brings essential assistance to those who are least able to afford their utility and heating oil bills. The program was fully funded in the continuing resolution for fiscal year 2009, which became law in September. The full funding for the program enabled many states to receive significant increases in their formula allocations. North Dakota, New

Hampshire and Massachusetts, for example, each saw a doubling of their LIHEAP block grant allocations compared to fiscal year 2008.

The vital importance of this program to vulnerable families is clear. According to survey data from the Department of Health and Human Services of households benefiting from LIHEAP, 22 percent included young children, 31 percent included a disabled person, and 32 percent included an elderly person. Continuing to fully fund LIHEAP will ensure that next winter, these households will not be forced to make impossible choices about whether to heat their homes or buy food or pay for health care.

I appreciate your consideration of these proposals, and I look forward to working with you in the coming weeks as we confront the many challenges facing our economy and our nation.

With great respect and appreciation,

As always,

Ted Kennedy

Edward M. Kennedy
Chairman

United States Senate

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

March 13, 2009

The Honorable Kent Conrad
Chairman
Senate Budget Committee
624 Dirksen Building
Washington, DC 20510

The Honorable Judd Gregg
Ranking Member
Senate Budget Committee
624 Dirksen Building
Washington, DC 20510

Dear Kent and Judd:

Pursuant to Section 301(d) of the Congressional Budget Act, I am responding to your letter dated February 19, 2009, requesting a views and estimates letter for FY2010 for programs and activities that fall within the jurisdiction of the Senate Committee on Health, Education, Labor and Pensions (HELP).

Given the HELP Committee's wide jurisdiction over domestic and social programs, it has a responsibility to assist Americans in meeting challenges at every stage of their lives. Responsibly funding the federal government is Congress' most important constitutional function. Federal resources are limited and dollars are stretched. During my tenure as Chairman and Ranking Member of the HELP Committee, I have worked to help ensure that federal programs are cost effective, and not duplicative. I have worked to limit the number of new programs.

I have a strong record of fiscal restraint, and believe that Congress should continue striving for meaningful reductions in mandatory spending. In the 109th Congress, under my Chairmanship the HELP Committee produced nearly $16 billion in mandatory spending reductions over 5 years as part of the Deficit Reduction Act of 2005 [PL109-171]. The HELP Committee's fiscally responsible proposals comprised 40% of the entire $40 billion spending cut package. My hope is that in FY2010, Congress will aggressively contain both mandatory and discretionary spending. Unfortunately, given that two excessive spending bills, the American Recovery and Reinvestment Act and the FY2009 Omnibus Appropriations Act, were among the first bills considered in the 111th Congress, I am discouraged by the way the year has begun.

I also remain deeply concerned about the levels of emergency spending not subject to budget scorekeeping rules that Congress continues to enact. In 2008 alone, Congress enacted $382 billion in emergency spending (over the ten year period FY2008-18) – according to the Congressional Budget Office (CBO). Out of control spending today will saddle our children and grandchildren with enormous debt. I hope we can work across party lines to enact meaningful budget process reform this year to restore fiscal discipline to a system that is badly broken.

In light of these spending increases, and the proposed increases in the FY2010 budget request, a renewed focus on eliminating duplicative and unsuccessful programs is needed, as well as identifying ways to cut across programmatic silos – so that we can invest in programs that are the most beneficial for our children, families, and communities.

HEALTH

Ensuring All Americans Have Access to Affordable, Quality, and Portable Health Insurance

I applaud the President for placing health care reform as such a high priority. I am pleased to see some overlap between the principles in the budget request and in legislation I authored last Congress, "Ten Steps to Transform Health Care in America". Now it is up to Members of Congress from both sides of the aisle to take decisive action not only to expand access to health insurance for all Americans but also to reduce the cost of care and get better value for every dollar we spend on health care. Our nation expects us to solve this challenge in an honest and bipartisan manner.

Any successful health care reform proposal should be developed in a transparent and bipartisan way. I very strongly discourage using the budget reconciliation process to advance health care reform legislation as this would curtail Senate debate, limit amendments, and be a great disservice to the American people. The American people deserve an open and vigorous debate on this important issue that personally touches each and every American.

Health care reforms must be done in a fiscally responsible manner. The costs of any health care reform proposal should be addressed in a careful way, especially in light of the spending spree this past year. The creation of new unfunded liabilities for additional health care costs would be both irresponsible and a threat to the long term economic health of the nation.

Any serious health care reform proposal cannot be solely about expanding coverage, but must also include innovative strategies to change the health care delivery system to reduce costs and encourage better value. We must strengthen health care by realigning incentives to provide consistent, dependable quality while promoting the principles of care coordination and prevention. We must continue to harness the powerful promise of advanced research and modern technology to create innovative new treatments and breakthrough cures, promote wellness, and empower consumers with accurate, comprehensive information on the of quality health care.

One of the eight principles for health care reform listed in the President's budget pertains to "guaranteeing choice" and mentions "the plan should provide Americans a choice of health plans and physicians". While I applaud this statement, I am very concerned about the next page of the Budget which cuts payments to Medicare Advantage plans by $175 billion. These cuts, if implemented, would jeopardize the choice and ability of the 11 million Medicare beneficiaries currently enrolled in Medicare Advantage plans to keep the health care they have.

Additionally, Washington-run programs undermine market-based competition through their ability to impose price controls and shift costs to other purchasers. Forcing free market plans to compete with these government-run programs would create an unlevel playing field and inevitably doom true competition. I fear that such a system would ultimately leave us with a single government-run program controlling all of the market. This would take health care decisions out of the hands of doctors and patients and place them in the hands of another Washington bureaucracy.

Comparative Effectiveness Research
The FY2010 budget request supports the funding and aims of the America Recovery and Reinvestment Act provisions for comparative effectiveness research for health care. Additional information would be welcome. In the absence of more detailed information or rationale it is difficult to comment in depth. The assumption is that there is an effective way to target research funds towards studies that are likely to produce budgetary savings. But predicting the effect that comparative effectiveness studies could have on healthcare spending is difficult, because it is hard to predict what research would yield and how these theories would apply in practice. Sometimes, the more effective treatment is more, not less, expensive. In addition, the budget does not set forth a plan for how to use the research and research information in and of itself won't produce cost savings.

Health Information Technology
The American Recovery and Reinvestment Act contained many provisions to encourage more health care providers to use information technology. Patients should have the option of digitizing their medical records so they can receive higher quality, more coordinated care. I hope the President focuses on ensuring the technologies purchased with Federal dollars comply with technology standards harmonized by the Healthcare Information Technology Standards Panel and certified by the Certification Commission for Health Information Technology. Interoperability is a key component of success in this endeavor.

Food and Drug Administration
The Food and Drug Administration (FDA) has statutory responsibilities to both protect and promote the public health by ensuring that our food is safe to eat, and that effective drugs and medical devices are available in a timely manner. I strongly support the FDA's mission and we should provide the agency with sufficient, sustained funding to carry out its vital work.

Food safety is an issue that affects all Americans. The United States has one of the best food safety systems in the world. Yet there is always room for improvement, and the proportion of our food supply that is imported is increasing. Outbreaks of food-borne illnesses in products as diverse as fresh produce, canned sauces, and peanut butter, as well as the contamination of pet food with melamine, highlight the need to target resources to food safety. The FDA's Food Protection Plan highlights some updated authorities that are needed, in addition to resources beyond the increase for the foods program proposed in the President's budget. I was pleased that we began to improve food safety with provisions to establish early warnings, better track recalls, and analyze data to support risk-based inspections. However, the Committee notes that not all of the authorities granted to FDA for tracking recalls are being implemented. It is critical that FDA use all the tools at its disposal and partner with the private sector to provide better protection of our food supply.

I note that the FY2010 budget request for FDA does not include funds or proposals for the regulation of tobacco. Although preventing tobacco use is a high priority for me, a massive expansion of government with little impact on the levels of tobacco use is not the way to achieve this goal. Instead, we should enact sensible legislation that leverages market forces and proven public health campaigns to achieve real reductions in the number of tobacco users.

The importation of prescription drugs from other countries has long been touted as a way to lower prices for American consumers. A counterfeit or tainted drug is unsafe at any price. As we consider the issue of drug importation, the safety of our citizens must be our primary concern. The budget request supports FDA's "new efforts to allow Americans to buy safe and effective drugs from other countries." While it is not clear exactly what new efforts the budget refers to, I remain opposed to importation. Longstanding safety risks, highlighted by the recent problems associated with the blood thinner heparin, outweigh any very modest savings.

Biosimilars

The President's budget proposes to create a pathway for second generation versions of biologic products, saving $9.2 billion over 10 years. The Senate HELP Committee reported out a bill to create a biosimilars pathway last Congress, and should advance such legislation again this year. It is important to understand that the savings that derive from biologic products will not be equivalent to the savings seen with generic drugs and will not be seen immediately. Restrictions on innovators' patent terms must be balanced against the impact this will have on discouraging innovators from developing new life saving therapies.

Fair and Reliable Resolution of Medical Liability Cases

The cost of medical liability insurance and the impact of defensive medicine help to increase health care costs in this country. To tackle the unsustainable rising costs of health care the budget should address our flawed medical justice system. Senator Baucus and I have worked on this issue in the past and I was pleased to see that he included medical liability reform in his health reform white paper. Instead of pitting doctors versus trial lawyers versus insurance companies, the focus should be on fair and reliable results for patients and providers and on ensuring access to quality, affordable health care for all Americans.

The Committee should encourage states to experiment with new approaches to resolving medical liability cases by allowing states to try alternatives to litigation. These alternatives should encourage early disclosure of preventable medical errors, prompt and fair compensation for injured patients and careful analysis and reporting on trends and patterns of health care errors to prevent future injuries. Quick, fair and reliable resolution of medical liability cases is a worthy objective that would save the health care system billions of dollars by reducing legal costs and the high cost of defensive medicine that is often unnecessary and sometimes dangerous for patients.

Public Health Preparedness
A rapid and effective response to biological threats – whether natural, accidental, or man-made – depends on ongoing federal and State coordination and the effective use of federal funds by State governments. The Pandemic and All-Hazards Preparedness Act builds on the lessons we have learned from the tragedies of September 11th and the Gulf Coast Hurricanes to improve our nation's preparedness and response capabilities for any public health emergency. Adequate funding for the Pandemic and All-Hazards Preparedness Act is an important step in protecting and safeguarding the health and well-being of all Americans.

Health Workforce and Rural Health
The health professions training programs in Titles VII and VIII of the Public Health Service Act need to be reauthorized in a way that addresses longstanding concerns about the effectiveness of these programs. The Office of Management and Budget and the Government Accountability Office have repeatedly questioned the focus and effectiveness of these programs. I agree with some of these criticisms, but believe a small but targeted federal investment can play an important role in ensuring an adequate supply and distribution of health professionals across the country. Congress must also reauthorize these programs to ensure that substantial increases in providers are allocated to rural areas. I support the administration's FY2010 budget request of $330 million to address the shortage of health care providers in certain areas.

Everyday people in rural and frontier areas struggle to afford health care and find doctors who can provide the services they need. Last year Congress passed the Health Care Safety Net Act which reauthorized the Community Health Centers program and Rural Health programs. Both will provide individuals in underserved areas access to affordable, comprehensive, and quality health services; especial rural and frontier areas.

Indian Health Service
I support adequate funding for the Indian Health Care Improvement Act to provide the necessary care to Native Americans in need. It has been over 10 years since the Indian Health Care Improvement Act has been reauthorized. The Senate should reauthorize the program to increase coordination of care, modernize programs, and improve the quality of services provided to Native Americans. I am dismayed by the gross mismanagement of property and wasteful spending by the Indian Health Service and

support greater oversight initiatives to ensure that funding is going to individuals in need of vital health care services.

Substance Abuse and Mental Health
Methamphetamine use is a scourge in many rural communities in the Western and Midwestern United States. I support adequate funding for the Access to Recovery program, which increases consumer control and choice over the treatment service they receive, and this targeted funding toward methamphetamine use will be welcomed by rural and frontier communities.

Congress must continue to work on the reauthorization of SAMHSA and ensure that the Administration's services are coordinated with other federal agencies. SAMHSA's work supports State efforts to expand and enhance prevention and treatment programs that provide substance abuse and mental health services. The reauthorization draft ensures that the agency's programs are not duplicative, and focuses on measuring outcomes while ensuring that providers deliver effective treatment and prevention services to those in need.

It is also worth noting that I support funding for the National All Schedules Prescription Electronic Reporting (NASPER) Act of 2005. The diversion and abuse of legally manufactured prescription drugs is a pressing national issue.

Traumatic Brain Injury
Each year, approximately 1.5 million Americans sustain a traumatic brain injury, causing significant, often lifelong and sometimes fatal, disability and discomfort. Last year the Congress passed the reauthorization of the Traumatic Brain Injury (TBI) Act. The reauthorization of the TBI Act will boost programs to help people live with the effects of a traumatic brain injury. The law established a study through the Centers for Disease Control and Prevention (CDC) and the National Institutes of Health (NIH) to determine the incidence and prevalence of traumatic brain injury, identify common therapeutic interventions, and develop rehabilitation guidelines. It also reauthorizes grant programs to coordinate TBI services, and continues valuable research programs conducted by the NIH. The bill will assist wounded warriors returning from the wars in Iraq and Afghanistan, especially as they return to civilian life. Because of the increased level of services for this population, due to the wars in Iraq and Afghanistan, this program should be adequately funded.

Fighting AIDS Domestically and Abroad
In July 2008, Congress passed the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008. The bill reauthorized the President's Emergency Plan for AIDS Relief (PEPFAR) for 5 more years. The effort was bipartisan and preserved the core principles of the program that target our global AIDS efforts on treating individuals with HIV/AIDS. The bill authorized $50 billion over 5 years, which was an amount I believed was too high, given the competing demands for federal resources, but supported for the greater good of the program.

Just 5 years ago only 50,000 people living with HIV in all of sub-Saharan Africa were receiving treatment. Today more than 2.1 million people are receiving treatment, 4 million orphans and vulnerable children have been reached by the program, 16 million pregnancies have been supported by PEPFAR prevention of mother-to-child transmission services, prevention programs using the ABC (Abstinence, Be faithful, use Condoms) approach has reached 58.3 million people, and more than 57 million people have received counseling and testing services funding by the PEPFAR initiative. We have come a long way, and we still have a long way to go in fighting HIV/AIDS both domestically and abroad. I support adequate funding at the authorized level for the PEPFAR program to ensure that we continue our commitment to the global fight against HIV/AIDS.

This year the Ryan White CARE Act, a program to provide care and treatment to those within the United States living with HIV, will be reauthorized by the HELP Committee. The law establishes funding formulas that allow the funding to follow the patient. I was discouraged when the appropriations process dramatically altered the underlying, authorized funding formulas so that it now discriminates against rural states and areas where the disease is expanding. In addition, the Committee should examine additional ways to provide funding for this vital program, taking into account the overall discretionary spending constraints.

EDUCATION AND WORKFORCE

Promoting a lifetime of learning through strong federally funded education and workforce development programs is vital to improving the knowledge and skills of our students and the quality of our workforce to advance America's competitiveness in the global economy, particularly in this time of uncertainty.

Elementary and Secondary Education
It is anticipated that the Committee will reauthorize the No Child Left Behind Act (NCLB) this Congress. NCLB represents the most comprehensive overhaul of the federal Elementary and Secondary Education Act (ESEA) since its original enactment in 1965. ESEA authorizes numerous education programs and is the principal federal law affecting elementary and secondary education. Since 2002, NCLB has focused schools on achieving the goal of 100% proficiency for all children and putting in place plans to reach the goal. It is the intention of the Committee to maintain the key goals of NCLB as we work through the reauthorization process.

Federal dollars must be focused on programs that have been proven to be effective in increasing student achievement and closing the achievement gap. This includes eliminating funding for programs that have not been shown to increase student academic achievement or are not otherwise meeting stated program goals. Many schools are now in need of guidance and assistance for school improvement. I am pleased that the FY2010 budget request included funding for Title I School Improvement grants for low and under-performing school districts. Over the past few years the Committee has been working on a bipartisan reauthorization bill that builds on the successes and addresses the shortcomings of NCLB that have been identified since 2002. Coupled with this focus on fostering school improvement, we should reward teachers who help students gain the knowledge and skills they need to be successful. I support funding for the Teacher Incentive Fund.

I am fully supportive of the restoration of funding for the Reading First and Early Reading First programs. These are programs of proven success that have received significant support from parents and teachers alike. Reading First is an example of a federal program that has demonstrated success in increasing student academic achievement and should be a priority to receive funding over new programs.

It is my hope that the NCLB reauthorization process will recognize that the time has come for dedicated federal support for research-based high school reform efforts. These investments should support community efforts to increase the number of students who graduate from high school on time with the knowledge and skills necessary to succeed in both postsecondary education and the workforce. We must make sure that our students know what it takes to get into and succeed in college and are not "wasting" their high school senior year.

Early Learning and Head Start
For children to succeed in school, it is important that we promote school readiness through high quality early childhood education. Improving the Head Start program while maintaining its strongest components and comprehensive nature is critical to ensuring that young, disadvantaged children are equipped to learn when they enter school. This is the goal we achieved when we reauthorized the Head Start Act with passage of the Improving Head Start for School Readiness Act last Congress. Any funding increases for Head Start should be for the purpose of ensuring strong accountability components, measurable results for children, and effective linkages between federal, State, and local programs as included in the reauthorization. I firmly believe that any additional resources provided for the purpose of early childhood education should be provided for the Head Start program, and not for new initiatives. In this time of limited federal resources it is vital that we focus on what has been proven to be effective in preparing children for kindergarten.

Higher Education
Last year the Congress reauthorized the Higher Education Act of 1965. The statute affirmed the importance of having two viable student loan programs in order to provide students and their families with a choice in how to finance their postsecondary education. One of the few success stories in the lending community over the past 18 months has been the continued ability of the Federal Family Education Loan (FFEL) program to provide capital for Americans to attend college. The President's budget has the potential of shutting the door to college for millions of students by creating a government run student loan monopoly.

The President's budget blueprint proposes that beginning in 2010 all new student loan originations will be made in the Direct Loan program. I am concerned that the Department of Education will not be able to manage a threefold increase in loan originations and all of the servicing requirements that come with these new loans. Nationalizing the servicing of these loans disrupts relationships that have been established in communities across the country between students, their families and their lenders. This proposal, by eliminating guaranty agencies and FFEL servicers, also sacrifices tens of thousands of American jobs.

The FY2010 budget request proposes to move Pell grant funding from the discretionary side of the budget to mandatory spending, and pegs annual increases in the maximum award to the CPI plus one percent. This action frees up $41.8 billion over five years and $116.7 billion over 10 years in discretionary funding. Two times over the past four years Congress has authorized two new mandatory programs to provide need based grant aid to students to supplement the Pell grant. In both instances, instead of increasing the maximum Pell award, the appropriators used the mandatory funds as cover to spend discretionary funds elsewhere. Any shift of Pell to the mandatory side of the budget must be accompanied by a consolidation of mandatory funding streams for need based grant aid. Additionally, the Department of Education must take immediate steps to work with the Department of the Treasury to simplify the financial aid process by pre-populating the Free Application for Federal Student Aid (FAFSA).

The budget proposes a new, market-oriented effort to Modernize Perkins Loans. Details are still to be determined with respect to this proposed action, which is expected to save approximately $6.5 billion over 10 years. We can agree that there is room for innovation in the Perkins Loan program. However, in the absence of more detailed information or rationale it is difficult to comment with respect to such increases.

The budget blueprint proposes a new College Access and Completion fund of $2.5 billion in mandatory spending over five years to support State efforts to help low-income students complete college. I agree we must have a greater focus on college persistence and completion. In the Higher Education Opportunity Act I included a discretionary program – a Pilot Program to Increase College Persistence and Success – This program must be the basis of any new federal program.

Job Training

The economic well-being of our nation depends on the skills of our workforce. In this technology-driven, global economy, school is never out. Republicans are committed to providing workers with the opportunity to gain the skills they need to succeed in the workforce, and to assist displaced workers who need retraining for new jobs. Federal, state, and local job training programs are vital to the country's economic well-being, and are invaluable for the people they serve. We must encourage economic development but if the workers with the necessary skills are not available here, those jobs and companies will go elsewhere. Rising unemployment presents an even greater challenge to our system of workforce development.

The Workforce Investment Act (WIA) is our country's primary federal job training program, but it has not been updated since its enactment over 10 years ago. It expired in September 2003. Reauthorizing this important legislation is a main priority for the HELP Committee. I am committed to working with the Administration, my colleagues in the Senate, and members of the House to reauthorize WIA as an essential component of the federal education and workforce development infrastructure, and as part of the recovery package.

Estimates are that over half of the jobs created or saved in the recovery package will require at a minimum a postsecondary certificate. The American economy has shifted so much that even with a policy directed specifically to help workers most hurt by the downturn, there is no getting around the need for skills that can only be met by additional training or education. The Senate needs to move quickly on reauthorizing WIA to provide the flexibility and greater accountability needed to meet the skill requirements of a technology-driven workplace.

Special Education
When Congress passed IDEA in 1975, it committed to pay up to 40% of the national average per pupil expenditure (APPE) – estimated to be the extra cost to schools providing special education services – to offset the excess cost of educating children with disabilities. While the American Recovery and Reinvestment Act did provide "full funding" for IDEA in the short term, I am concerned about maintaining and paying for this increase over the long term. The IDEA reauthorization of 2004 outlined a plan to achieve "full funding" in discretionary appropriations by 2012. The Budget Resolution should strive to reflect the goals outlined in the IDEA reauthorization.

Low Income Home Energy Assistance Program (LIHEAP)
The Low Income Home Energy Assistance Program (LIHEAP) provides funds to states to help low-income households pay home energy expenses. LIHEAP was last authorized by the Energy Policy Act of 2005 through fiscal year 2007. The Continuing Appropriations Act of 2009, signed by President Bush on September 30, 2008, provided FY09 LIHEAP funding of $5.1 billion, the highest in the program's history and nearly double the funding of FY08. The President's FY10 budget calls for $3.2 billion for LIHEAP to help low income families pay their home heating and cooling expenses. The administration proposes a mandatory trigger mechanism to address increases in energy assistance. This type of a proposal is best considered in a comprehensive LIHEAP reauthorization.

RETIREMENT SECURITY

With regard to retirement security, the FY2010 budget request proposes to establish automatic workplace pensions, and make the "Saver's Credit" refundable. The proposed automatic enrollment program would require employers who do not currently offer a retirement plan to enroll their employees in a direct-deposit IRA account that is compatible with existing direct-deposit payroll systems. Employees could opt-out. In addition, the FY2010 budget request proposes to modify the existing "Saver's Credit" to provide a 50 percent match on the first $1,000 of retirement savings for families that earn less than $65,000. The budget proposes that this credit be refundable.

The FY2010 budget request indicates that together these proposals have a revenue and an outlay component. In the absence of more detailed information or rationale it is difficult to comment in depth with respect to these issues. However, I have serious concerns about the impact of these proposals on the federal deficit. I also have serious concerns about empowering the federal government to administer a national pension plan that could be exponentially larger than the current Thrift Savings Plan (TSP) in which federal employees currently participate. As drafted, the initiative may require the federal government tremendous resources to operate, manage, invest, and administer this new fund. In addition, the initiative may create one of the largest investment vehicles in the world capable of moving and/or controlling sectors of our financial markets. I look forward to learning more about these proposals from the administration.

LABOR

Occupational Safety and Health

The safety and health of U.S. workers is a consistent high priority for the HELP Committee. I have repeatedly noted that achieving safety in the workplace must entail more than regulatory enforcement. Employers have a natural incentive to encourage workplace health and safety, and the vast majority of American employers do seek to comply with the law and provide their employees with a safe workplace. OSHA has been successful in fostering this approach through its outreach and compliance assistance programs; as well through expansion of its Voluntary Protection Program and similar initiatives. Once again last year the rate of fatal and non-fatal workplace accidents declined. These numbers continue a pattern in which the total recordable case injury and illness incidence rate among private industry employers has declined significantly each year since 2003. Despite the fact that this approach has been working, the current budget calls solely for increases in the agency's enforcement budget. Without minimizing the need for an adequate enforcement regime, such efforts should not come at the expense of other programmatic approaches which have shown consistently positive and ever-improving results. In addition to outreach and compliance efforts we must also emphasize programs that ensure that workplace safety becomes everyone's responsibility, not the sole province of employers; and, we need to address the behavioral causes of workplace injuries, in addition to the structural and environmental causes.

Mine Safety Oversight

In 2008, the number of fatalities in the mining industry dropped to 29, a 15% decrease from 2007 and a 42% decrease from 2006. In 2007, the most recent year for which full statistics are available, the injury rate was 3.43%, an all time low. The injury rate in the mining industry has declined 33% in the period from 2000 to 2007. These impressive strides have been the result of numerous factors. Like workplace safety generally, safety in our mines cannot be limited to only regulatory enforcement. Fostering a culture of safety and a diffusion of responsibility for a safe working environment are equally important in the mining sector. Especially critical in improving mine safety has been the development and approval of new safety technology. We must continue efforts to enhance technological advances in mining as they are critically important in achieving safer workplaces in this industry. Because of the limited commercial market for such technology the federal government can play a useful and constructive role in such development.

Davis Bacon and other Federal Construction Issues
The Davis Bacon Act requires federal contractors to pay employees a prevailing wage determined by the Department of Labor from a voluntary, craft-specific local area wage survey. The law has already been extended to more than 60 federal statutes which provide construction funding. The American Recovery and Reinvestment Act already passed this Congress extended prevailing wage requirements to every project contracted and subcontracted under the Act. This unwarranted expansion continues in spite of a 2004 Inspector General Report that found multiple errors in the Davis Bacon wage survey data and called into question the statistical integrity and methodology of the determination process. Moreover, there is a growing body of evidence, and an increasing public awareness that Davis Bacon mandates artificially and significantly inflate the cost of federal and federally assisted construction projects, and create barriers for participation by small, and minority-owned businesses. These artificially inflated costs mean that taxpayers are receiving far less for their tax dollars than they would in a true market-based system. This waste of federal dollars also means that such projects are employing fewer workers in the construction industry than would be the case in a true market based system. At a bare minimum, the methodology for determining prevailing rates should be immediately changed to a system that ensures statistical and mathematical integrity and accuracy. Beyond this, we should cease any further expansion of Davis Bacon mandates and undertake a thorough review of the increasing body of evidence that it artificial inflates government costs, and artificially reduces employment opportunities.

Beyond the problematic Davis Bacon mandates, I am equally disturbed by the Administration's reversal of the policy of neutrality on government construction contracts and its official encouragement of a policy requiring private contractors to bind themselves to pre-hire union contracts, or so-called project labor agreements. Once again, I believe this policy discriminates against small and local contractors and needlessly drives up the costs of federal construction for taxpayers

Labor Standards Enforcement
The FY2010 budget request indicates only an unspecified increase for Wage and Hour enforcement, and enforcement actions by the Office of Federal Contract Compliance. In the absence of more detailed information or rationale it is difficult to comment with respect to such increases. The enforcement of workers' rights is of course an important function of several agencies housed within the Department of Labor; however, it is difficult to understand why enforcement efforts for some of these employee rights are being funded at higher levels while enforcement efforts for other employee rights face reported funding cuts. For example, I remain seriously concerned by the repeated and

now successful effort to decrease funding for the Office of Labor Management Standards. This office is responsible for enforcing employee rights as important as those enforced by other agencies within the Department. Therefore, it is inexplicable why some of these agencies are slated for enforcement funding increases, while the OLMS budget has been cut. The conclusion that the OLMS faces cuts simply because it enforces programs that effect organized labor is the one most readily drawn, particularly in the absence of any articulated rationale for the funding determinations. Workers belonging to labor unions have an absolute right to know exactly how their hard earned union monies are being allocated.

Preserving Individual Employee Rights
The right of employees to freely choose whether or not they wish to be represented by a labor organization in a government-supervised private ballot election has been a cornerstone of federal labor policy for nearly six decades. In the last Congress this hallmark of American industrial democracy was attacked and placed in serious jeopardy by legislation that would have deprived workers of the right to vote on this critical workplace issue in a free secret ballot election. Fortunately, this attack on individual employee rights was defeated. From a budgetary perspective, recent studies have concluded that a rise in union membership of three percent would result in a one percent rise in the unemployment rate. In other words, 1.6 million people will either lose their job, or not be able to find new employment. If the proponents of the legislation are correct and it results in a ten percent increase in union density, up to 5.4 million workers will become unemployed. Congress must continue to act decisively in order to preserve and strengthen safeguards for all American workers. In this regard, it should also be noted that any effort aimed at depriving or limiting workers from obtaining essential financial information about the labor organizations which represent them is simply not acceptable. Employees that pay union dues are entitled to know how their money is spent, unions are obliged to report this data, and the federal government is required to collect it and make it readily available. I will resist any attempt to eliminate or limit this kind of financial transparency for our nation's workers or weaken enforcement of the current law.

Increasing Unfunded Mandates on Employers
Proposals which would greatly increase the cost of employing individuals would only exacerbate the current negative economic environment. Instead of discouraging businesses from hiring by increasing employment-related litigation, increasing liability exposure for such litigation, prohibiting dispute resolution procedures as a method for resolving workplace disputes, increasing taxes, or increasing penalties under current employment statutes such as the WARN Act; the HELP Committee should be looking for ways to reduce the government-imposed red tape and increased costs that inhibit hiring. As any of the various proposals which would increase the cost of employment come before the Committee, or are brought to the Senate Floor, the full cost of the proposal for employers, especially small employers, should be fully understood by the Congress and our constituents. I recognize the important role the Budget Committee and the Congressional Budget Office play in providing such transparency.

Unemployment Insurance
The budget request projects making changes to the trigger mechanism that determines when states qualify for the Extended Benefits program; and, in the American Recovery and Reinvestment Act, the cost burden of unemployment benefits was significantly shifted from a joint state and federal venture to primarily a federal one. Incentives were created to persuade states to liberalize their state funded unemployment insurance programs, with no permanent funding supports in place. Unemployment insurance programs play a critical role in the lives of Americans in times of need, and I am concerned about the long-term health of this system. We will work to ensure that changes made to it make the system stronger, not weaker.

Thank you for your consideration. If you have questions and are unable to reach me, please have your staff contact Frank Macchiarola at 4-6770.

Sincerely,

Michael B. Enzi
United States Senator

United States Senate

COMMITTEE ON INDIAN AFFAIRS
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March 13, 2009

Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

RE: FY 2010 Funding for Native American Programs

Dear Chairman Conrad and Ranking Member Gregg:

As Chairman and Vice Chairman of the Committee on Indian Affairs, we thank you for this opportunity to express the Committee's views. This letter sets forth the Committee's funding priorities for tribal programs in the FY 2010 Budget Resolution, and general background supporting these recommendations. We appreciate your consideration of this views and estimates letter as the Budget Committee develops the Fiscal Year 2010 Budget Resolution.

The Committee recommends the following increases in budget authority for four priority areas: (1) at least $600 million in increased authority for Indian health care services and construction within the Indian Health Service budget over the FY 2009 enacted level; (2) at least $100 million in increased authority for tribal public safety and justice programs and construction within the Interior and Justice Department budgets over the FY 2009 enacted levels; (3) at least $90 million in increased authority for tribal economic development programs within the Interior and Energy Department budgets over the FY 2009 enacted levels; and (4) initial funding of $400 million in authority within the Treasury Department's budget for the Emergency Fund for Indian Safety and Health.

The Committee is sensitive to the fact that our Nation is in the midst of an economic crisis. The national unemployment rate recently rose above 8%, the housing industry remains a nationwide concern, and the investment sector has experienced steep declines. As will be detailed below, the economic conditions that our nation has been recently experiencing are both longstanding and magnified when it comes to our Native American communities.

The United States owes a unique legal obligation and trust responsibility to 562 federally recognized Indian Tribes based on treaties, federal laws, and Supreme Court decisions. We recommend that the FY 2010 Budget Resolution include funding levels that will permit the Federal government to meet these solemn obligations.

The Indian Affairs Committee's oversight of conditions and issues facing tribal communities has revealed significant challenges. Many Tribes face inadequate access to health care, law enforcement services, economic opportunity, education, and housing, all key elements of healthy communities. Tribal infrastructure needs are significant and too often present both a threat to public health and safety and a barrier to tribal economic development.

This letter sets forth the general background supporting these recommendations as well as FY 2010 funding recommendations for specific programs.

I. General Justifications for the Committee's Budget Recommendations

As noted above, the United States has unique legal obligations to Indian Tribes that are grounded in the United States Constitution, treaties, federal statutes, and Supreme Court decisions. These obligations arise in part from cessions of hundreds of millions of acres of tribal homelands to the United States in exchange for promises to maintain public safety, protect tribal sovereignty, and provide a variety of programs and services.

Funding for tribal programs is primarily administered by agencies within the Department of the Interior (DOI) and the Indian Health Service (IHS). The DOI manages tribal lands and natural resources, public safety, education, and other services to enrolled members of federally recognized tribes. The IHS provides health care services to American Indians and Alaska Natives.

In addition to the unique legal and treaty obligations, the United States has long maintained a government-to-government relationship with Indian Tribes. This relationship guides the process and substance of the interactions between the federal government and its agencies and the nation's 562 federally recognized Indian Tribes. As a result, a number of federal agencies provide funding to Tribes because of their status as governments. Just as federal programs supplement State and local government efforts, many federal agencies work with Tribes to support tribal government services and programs.

The United States' federal policy on Indian affairs shifted course several times between the formation of the Union and approximately 1970. In 1970, the Administration signaled the formal repudiation of the policy that had sought to terminate the status of Tribes as governments, to a new policy supporting Indian self-determination. That policy has remained consistent for almost 40 years. Indian self-determination seeks to strengthen tribal governments and tribal economic self-sufficiency. A number of studies conclude that the self-determination policy is working to improve the socioeconomic status of American Indians and Alaska Natives.

However, despite recent gains, tremendous disparities continue to exist in a variety of socioeconomic indicators between Indian people and the overall U.S. population, with Indians ranking well below the national average in measures of health care, education, income, public safety, and welfare. Below are some additional details on these indicators:

Poverty Rates. The average annual poverty rate for American Indians and Alaska Natives between 1999 and 2001 was 24.5%, compared to the national average poverty rate of 11.6%.[1] Although income levels for reservation residents rose 33% between 1990 and 2000, per capita income for Indians living on the reservation is still less than one-half the national average. The Bureau of Indian Affairs (BIA) 2005 Labor Force Report notes that even of those Indians who are employed, 29% work and live below the poverty guidelines.

Reservation Unemployment. The BIA 2005 Indian Labor Force Report calculated that 49% of the total Indian labor force living on or near reservations was unemployed. Tribes with the highest unemployment rates are located in the Great Plains and Rocky Mountain Regions, with an average reservation unemployment rate of 77% and 67% respectively. These regions encompass the States of Montana, Nebraska, North Dakota, South Dakota and Wyoming.

II. Specific Committee Recommendations for Committee Priorities

As noted above, the Committee recommends budget allocation increases for Indian health care, tribal public safety and justice, programs that enhance economic development within tribal communities, and the Emergency Fund for Indian Safety and Health. Below are additional justifications that support these priority areas, and a discussion of several programs that deserve significant increases.

STRENGTHENING INDIAN HEALTH CARE

American Indian and Alaska Native life expectancy is almost six years less than that of the overall U.S. population. Death rates for Natives from a variety of diseases are significantly higher than for the general population. For example, Indians have a 670% higher death rate from alcoholism, a 318% higher death rate from diabetes, and a 650% higher death rate from tuberculosis than the general population. Native mortality rates for cervical cancer, motor vehicle crashes, unintentional injuries and homicide are also higher than other Americans. In addition, the suicide rate for Native youth is three times the national average, with access to mental health services non-existent for many tribal youth.

The Committee on Indian Affairs has held a number of hearings examining the state of health care in Indian Country in the 110th and early in the 111th Congresses. These hearings confirm the above statistics, and reveal the following trends: the rationing of health care in Indian Country as a result of substantial unmet funding needs, estimated to exceed $19 billion; stagnant funding levels that do not keep up with the medical rate of inflation; and a need for improved services, particularly for the Contract Health Service program, dental and behavioral health services, facilities, and recruitment and retention.

Past budget requests have allocated increases for IHS and tribal pay costs, inflation, population growth, and staffing and operating costs due to the construction and maintenance of

[1] U.S. Census Bureau, "Poverty in the United States: 2001," *Current Population Reports*, September, 2002, p. 7.

health facilities. The Committee is aware that the Indian Health Service plans to use a portion of the funding increase for Contract Health Services (CHS) funding.

The President's general budget request includes more than $4 billion for Indian health programs, although, it is not clear whether this amount includes a projection of third-party reimbursements.[2] Nevertheless, in light of the chronic underfunding of Indian health care programs within the IHS, the **Committee recommends at least a $600 million increase in budget authority in FY 2010 for Indian health care construction and programs over the FY 2009 enacted level of $3.58 billion.** The programs discussed below are critical to improving the delivery of health care to Native Americans, and should receive significant increases in FY 2010:

Indian Health Care Improvement Fund (Fund). Congress established this Fund in the *Indian Health Care Improvement Act* to eliminate deficiencies in the health status and resources of Indian tribes, to eliminate backlogs in health care services, and to meet health needs in an efficient and equitable manner. An allocation to this Fund would enable IHS and tribal sites that are funded at less than 40% of need to expand services and address funding disparities.

The FY 2008 enacted level was $118.1 million and the FY2009 Omnibus Act added another $1.22 million, for a total of $119.23 million, for the Fund. The IHS indicated that the FY2008 enacted level constituted 62% of what was needed to raise these sites to 40% of the need.[3] Consequently, the Committee recommends funding this item at $135 million.

Dental Health. The Committee on Indian Affairs has received testimony regarding the dramatic lack of dental services, compounded by a lack of adequate nutritional or dietary services and a shortage of dentists with vacancy rates of 24% for IHS dentists. All of these factors severely impact the overall public health of the Indian population—especially children. On some Indian reservations, there may be a complete lack of dental services.

According to the IHS, the IHS and tribal dental providers were able to provide care for, on average, approximately only 25% of those who needed care at the FY2008 enacted level of $133.6 million. The FY 2009 enacted level of $142 million is a welcome increase, but is not sufficient to address the estimated 75% of Indian patients who do not receive dental care.

Mental Health Program. The health disparities in Indian Country are especially evident with regard to mental health issues. For example, in 2002-2005 Native Americans were more likely to have had an alcohol or illicit drug use disorder in the past year than any other racial group. Native Americans have a rate of suicide 70% higher than the general population. Additionally Native American women are over 2 times more likely to be sexual assaulted. The mental health program at IHS provides clinical and prevention mental health services to Indian Country. IHS Areas have outpatient services, crisis triage, case management, prevention programming and outreach services to address a range of mental and behavioral health issues.

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[2] The President's FY 2010 budget will build upon resources provided in the American Recovery and Reinvestment Act (ARRA), Public Law 111-5 (Feb. 17, 2009), which provided $500 million for Indian Health Service information technology upgrades ($85 million), and for health facilities construction ($415 million).

[3] The Fund calculation does not include the facilities needs or related services. If they were included, there may be a more dramatic deficiency in the level of need.

Mental health, alcoholism and substance abuse services account for approximately one-third of health care needs in Indian Country. The FY 2009 enacted level for the IHS Mental Health Program is $67.7 million.

Alcohol and Substance Abuse Program. The Alcohol and Substance Abuse Program provides preventative and treatment services at both community centers and clinic levels, and incorporates holistic and culturally-appropriate approaches. This program directly addresses the scourge of substance abuse on Native communities. The FY 2009 enacted level for the IHS Alcohol and Substance Abuse Program is $183.8 million.

Indian Health Professions. Several programs were established to attract and retain health professionals to IHS and tribal facilities, for example, by assisting with school expenses through scholarships or qualified loan repayments in exchange primarily for minimum service obligations at IHS or tribal sites. The Committee notes that as of January 2007, the IHS physician vacancy rate was approximately 17%, nursing vacancy rate was 18%, and, as noted above, the dental vacancy rate was 24%. The IHS indicated that the scholarship and loan repayment programs assist with meeting the staffing needs of hard to fill locations, but, at current funding levels, cannot provide enough health care professionals to reduce vacancy rates. Congress rejected proposed cuts to this program for FY 2009, and the current enacted level is approximately $37 million.

Contract Health Services. The Contract Health Services (CHS) program allows for the purchase of medical care and urgent health care services within IHS guidelines from private sector health care providers for IHS beneficiaries when health care and medical services are not available at IHS or tribal health facilities. These services include hospital care, physician services, outpatient care, laboratory, dental, radiology, pharmacy, and transportation services. However, there are many instances where care that is being sought is within IHS guidelines but is deferred, or denied. In addition, the IHS is replacing the hospitals in its system with outpatient care facilities which results in more patients relying upon the CHS program for after-hours, emergency room, and hospital-based care. The FY 2009 enacted level for CHS is $634.5 million. However, the unmet need for CHS is estimated to exceed $1 billion and growing.

Urban Indian Health Program. The Urban Indian Health Program funds Urban Indian Health Organizations that provide health services to eligible Indians in urban centers. Providing health care services to urban Indians has been a part of federal policy for nearly 40 years, and stems from the 1950's federal policy of Relocation, where the government encouraged individual Indians to move off of Indian lands to several cities throughout the United States. Congress specifically authorized urban Indian health programs as part of the Indian health care system in the original *Indian Health Care Improvement Act of 1976*. That statute recognized that the federal government's obligation for health care extends to these Indians.

The 2000 census indicated that as much as 66% of the American Indian and Alaska Native population lives in urban areas. The 34 urban Indian organizations serve approximately 150,000 eligible Indians at 41 sites throughout the U.S., providing a variety of health care services, such as dental, pharmaceutical, vision, alcohol or mental health treatment, suicide prevention and family wellness, and other services.

Urban Indian health programs provide health services in a cost effective manner. Without access to these services, many urban Indians would not seek care or would delay seeking proper medical attention until their health problems become emergencies. Providing culturally-relevant care and serving as a gathering place for Indians from diverse tribal backgrounds who are away from their reservation communities are unique roles played by the urban Indian health organizations, and are not available from Community Health Centers.

The IHS is directed to fund these organizations based upon the documented and unmet needs of the urban American Indians and Alaska Natives communities they serve. However, the last needs assessment for urban Indian health was conducted in 1981 found that only 22% of need was being met for urban Indians. The FY 2009 enacted level for Urban Indian Health is $36.2 million.

Health Care Facilities Construction. The facilities program includes health care and sanitation facilities construction, maintenance and improvement, facilities and environmental health support, and equipment. Inadequate health care facilities limit the delivery of care to Indians and affect the IHS and tribal health care workforce.

The FY2009 enacted level for Indian health facilities is $390.1 million, and as noted earlier, the American Recovery and Reinvestment Act (ARRA) provided $415 million in funding for several health facility accounts. However, despite this infusion of funding, the unmet need for health facilities is estimated to be approximately $3.5 billion. Some projects have been in line on the waiting list for decades.

IMPROVING PUBLIC SAFETY ON INDIAN LANDS

The United States has distinct legal obligations to provide public safety in Indian Country. Sections 1152 and 1153 of Title 18 of the United States Code acknowledge the responsibility of the United States to investigate and prosecute most crimes committed on Indian lands. Federal officials are also responsible for enforcing a number of other federal criminal laws that are unique to Indian lands, ranging from the sale or possession of intoxicants in Indian Country, to the destruction of Indian property, theft or embezzlement of funds from an Indian Tribe, and others.

In the 110th Congress, the Indian Affairs Committee held eight hearings to examine violent crime in Indian Country. The hearings revealed a severe and longstanding public safety crisis on many Indian reservations. The primary causes for the crime problem are twofold: (1) a divided system of justice that limits local tribal control to combat reservation crime, and forces dependence on federal officials to investigate and prosecute crime in federal court rooms that are often hundreds of miles from the reservations; and (2) an across the board historical lack of funding for federal and tribal justice systems responsible for Indian Country crimes.

Funding for investigators and prosecutors at the federal level, and for tribal justice programs at the local level has steadily decreased between fiscal years 2002 and 2008.[4] Between

[4] The enacted totals for the core DOJ tribal programs (jails, COPS, courts, and youth) were cut from a high in FY 2002 of $90.7 million to $42 million in fiscal years 2006 and 2007. The tribal COPS and jails programs saw the

2004 and 2007, United States attorneys declined to prosecute 62% of reservation criminal cases, including 73% of adult rapes, and 72% of child sexual assaults. In addition, the Federal Bureau of Investigations had a 27% decrease in Indian Country criminal investigations from 2001 to 2006. When the United States declines to prosecute a reservation crime, the individual defendant is most often either subject to prosecution in tribal court (which is limited to no more than one year imprisonment) or they will be set free. Additional unmet needs for tribal police and corrections officers, judicial personnel, court and detention facilities, and juvenile justice programs have existed for decades.

As a result of the lack of funding, rates for violent crime, domestic abuse, and sexual assault on Indian reservations remain significantly higher than the national average. A February 8, 2008 report, released by the Centers for Disease Control (CDC), found that American Indian and Alaska Native women experience the highest rates of domestic violence in the United States. The survey found that two in five Native women (39%) will suffer intimate partner violence in their lifetime, compared with one in four (25%) women overall. The CDC survey is consistent with an April 2007 Amnesty International report which found that more than one in three Native women will be raped or sexually assaulted in their lifetimes.

To address these disparities, the Committee recommends an increase of at least at least $100 million in authority within the Interior and Justice Department budgets over the FY 2009 enacted levels. The increased authority should target the following programs that are proven to help combat violent crime on Indian lands:

Department of Justice – Tribal Programs

Indian Jails Construction Program. A major contributing factor to reservation crime is the insufficient jail bed space to house adult and juvenile offenders. According to the Bureau of Justice Statistics, inmate levels in tribal jails exceed 120 percent of capacity. In 2008, the Committee received the Interior Department *Shubnum Report* entitled "Master Plan for Justice Services in Indian Country" ("Master Plan"), which estimated that $8.4 billion is needed to bring tribal and BIA detention centers up to current standards and relieve overcrowding.[5] The lack of space has forced tribal court judges to release lower level offenders back into the community. The DOJ Bureau of Justice Assistance Indian Jails program provides competitive grant funding to Indian Tribes for the construction of justice facilities on tribal lands. The FY 2009 enacted level for this program is $10 million.

Tribal Community Oriented Policing Services (COPS) Program. The Committee has received testimony that federal agents have seized drug organization business documents citing the lack of tribal law enforcement resources as a reason for targeting reservation communities.[6] While the violent crime rate in Indian Country is more than double the national average, only

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most dramatic cuts. Both programs were funded at $35 million in FY 2002. Tribal jails program was funded at only $2 million in FY 2004, and the tribal COPS program was funded at only $15 million in FY 2006.

[5] The ARRA provided $225 million to help begin to address the multi-billion dollar unmet need in tribal and BIA jails.

[6] Testimony of Matthew Mead, U.S. Attorney Wyoming, before the Senate Committee on Indian Affairs (April 5, 2006).

approximately 2,500 federal and tribal law enforcement officers patrol more than 56 million acres of Indian lands. In some cases, no more than two officers are on the job at any one time to patrol reservations encompassing more than one or two million acres. Too few distress calls are answered, and in most cases victims are forced to wait hours and even days. To address this disparity, the Tribal COPS program provides funding to tribal governments to hire and train new and existing law enforcement officers, and to purchase equipment, technology and vehicles to support tribal justice systems. The FY 2009 enacted level for Tribal COPS is $20 million.

Tribal Courts Assistance Program. As noted above, the federal declination rate for reservation crimes is more than 60%. When a criminal case involving an Indian defendant is declined at the federal level, the tribal court represents a victim's last chance to obtain justice. In point of fact, tribal courts represent a critical "on the ground" component of the criminal justice system in Indian Country, especially in respect to the most common recurring crimes and juvenile offenses. Nevertheless, most tribal court systems are severely underfunded. Many tribal courts systems lack computers, essential tracking systems and essential judicial personnel such as public defenders and child court advocates. The Tribal Courts Assistance Program (TCAP) provides competitive grants to Tribes to develop, implement, enhance and improve the operation of tribal judicial systems. The FY 2009 enacted level for the TCAP program is $9 million.

Tribal Youth Program. The growing population of young Indian people on Indian lands coupled with low graduation rates and high rates of poverty, adult alcohol and substance abuse, and increasing reservation gang presence poses significant challenges to tribal justice systems. The DOJ Tribal Youth Program provides competitive grants to Tribes to improve tribal juvenile justice systems, reduce Indian youth recidivism, and prevent juvenile delinquency. The FY 2009 enacted level for this program is $25 million.

Indian Alcohol and Substance Abuse Program. This DOJ program provides competitive grants to Tribes to combat and implement strategies that will reduce and control crime associated with the distribution and abuse of alcohol and controlled substances on Indian lands. The FY 2009 enacted level for this program is $6 million.

Grants to Reduce Violence Against Native Women. In order to address the epidemic of violence against Indian women, the Violence Against Women Reauthorization Act of 2005 included provisions to fund research and tracking systems to enhance the ability of tribal governments and tribal law enforcement agencies to respond to violence against Indian women on tribal lands. Congress funded both of these programs at $1 million in FY 2009.

Bureau of Indian Affairs – Office of Justice Services

Criminal Investigations and Police Services. The 2006 BIA Gap Analysis estimated that it would require $560 million to hire, train and equip the more than 1,800 additional BIA and tribal police officers needed to adequately police Indian lands. The BIA Criminal Investigations program provides funding to hire and train sorely needed BIA and tribal police officers and criminal investigators to address this gap. The FY 2009 enacted level for police hiring and training is $163.1 million.

BIA Public Safety Facilities Improvements and Repair. The BIA Public Safety facilities program replaces and renovates tribal and Bureau-owned jails to correct critical health and safety deficiencies. The FY 2009 enacted level for this program is $39.4 million.

Tribal Justice Support (Tribal Courts). Tribal courts represent the last chance at justice for major crimes where the U.S. Attorney declines to prosecute a case. Often, tribal courts are the only opportunity address misdemeanor reservation crimes, as federal courts are backlogged with major offenses. The Tribal Justice Support Program funds 288 Tribal Courts and BIA Courts of Indian Offenses, including the salaries and related administrative costs of judges, prosecutors, public defenders, court clerks, probation officers, juvenile officers, and other court support staff. Recruiting and retaining qualified judicial personnel and prosecutors has been a problem for Tribes and the BIA. The FY 2009 enacted level for this program is $14.5 million.

STRENGTHENING TRIBAL ECONOMIES

Sustainable economic development is the source of health and vitality for tribal communities. Despite recent improvements on some reservations, most tribal economies continue to suffer from a lack of revenues and high unemployment. As noted above, Indian Country unemployment is 49%, and on some reservations exceeds 80%. Typically, the poorest counties in the United States include Indian reservations.

Tribal governments also face challenges to stimulating growth in their communities that are not experienced by other governments. In particular, tribal governments are limited in options to generate government revenue through taxation, because tribal lands are generally held in trust. Tribal taxation authority has been further complicated by Federal court decisions and Internal Revenue Service opinions. Consequently, Federal programs assisting tribal governments to diversify their economies and build needed infrastructure are vital.

The lack of access to capital and financial institutions in Indian Country is well-documented. Tribes, Indian-owned businesses, and individuals have historically lacked access to capital for both home mortgages and commercial purposes. Banks seeking to reach out to Native American communities encounter geographic, educational, and legal barriers to providing traditional deposit and lending services in Indian Country. The resulting lack of financial education harms both Indian Country residents and tribal community economic development.

Energy development on Indian lands is also a significant opportunity to help develop tribal economies. The Committee recommends that additional funding in FY 2010 to continue advances made in Indian energy programs by the *Indian Energy Development and Self-Determination Act*, Title V, of the *Energy Policy Act of 2005*. Title V authorized financial, technical, and environmental reforms to be carried out by the Department of Interior and Energy. In particular, Title V established Indian energy offices within the Departments of Interior and Energy. These offices provided, for the first time, centralized programs and support for Indian energy development. Title V also authorized investments in tribal capacity and energy projects to develop energy resources on tribal lands.

To address these disparities, the Committee recommends an increase of $50 million in budget authority for tribal justice programs within the Department of Justice budget for FY 2010 over the FY 2009 enacted level, and an increase of $50 million for tribal public safety and justice programs within the Interior Department budget for FY 2010 over the FY 2009 enacted level.

To help address reservation poverty and unemployment rates on Indian lands, and to increase economic development in Indian communities, the Committee recommends an increase of at least $90 million in authority within the Interior and Energy Department budgets over the FY 2009 enacted levels. The following programs should be targeted for these requested increases:

Interior Department

The Department of the Interior's Title V office, the Office of Indian Energy and Economic Development (OIEED), is charged with assisting Tribes in developing technical and governing capacity to engage in energy development. The Office also has specific responsibility for implementing the center piece of Title V – a new land management regime which promotes greater tribal control and oversight of energy activities through Tribal Energy Resources Agreements (TERA). Once in place, a Tribal Energy Resources Agreement allows a Tribe to negotiate and execute leases, lease renewals, and other business agreements without specific review and approval of the Secretary of Interior. The Office works with Tribes to develop and obtain approval for Tribal Energy Resources Agreements.

The Office of Indian Energy and Economic Development has also taken steps to support Tribes that do not develop Tribal Energy Resource Agreements. These Tribes may have less experience in energy development or limited energy resources. OIEED provides these Tribes with energy assessments and capacity building programs so that they can take an energy idea and developed it into a negotiated energy business agreement.

OIEED is also establishing a pilot Indian Energy Development Office within a local Bureau of Indian Affairs Agency Office. This office is being established within an Agency Office with high energy activity and a need for an "energy manager" to track all the leasing, permitting, and payments associated with energy development on Indian reservations. With additional funding, Indian Energy Development Offices could be established at other Agency or Regional Offices with high levels of Indian energy activity. Providing additional Indian Energy Development Offices would streamline energy development on Indian lands to bring more domestic Indian energy into the market. Despite the significant work that the OIEED has completed over the past several years, no funding has been granted under Section 503 of Title V.

Interior Department – Indian Guaranteed Loan Program

As noted above, Tribes and tribal businesses lack access to capital. One program that has worked to provide much needed access is the Interior Department's Indian Guaranteed Loan Program. This program helps provide access to capital by guaranteeing and insuring loans and surety bonds to promote reservation economic development. The program supports the development of Indian-owned businesses, which in turn creates reservation jobs. High priorities projects are manufacturing, construction, and energy development.

The Program currently leverages appropriated dollars at a 13 to 1 ratio. This program has generated jobs and employment opportunities from the resulting growth and expansion of reservation economies. The default rate under this program is less than 1.5% annually, far outperforming other federally guaranteed loan programs.

The Program has been underutilized in recent years. In FY 2008, more than a dozen traditional and renewable energy projects were not funded because of the Office's limited budget. In addition, this effective program has historically not kept up with inflation.

The Committee believes that this program has clearly demonstrated its ability to promote economic development and job creation on reservations. The Committee believes that additional guarantee authority would sharply increase the number of economic development projects on reservation lands and spur further private sector investment in Indian country. The FY 2009 enacted level for this program was $8.2 million.

Interior Department – Indian Land Consolidation

The phenomenon of Indian land "fractionation," or fractional ownership of individual Indian lands, is the product of a Federal experiment in Indian policy, commenced in the late 19th Century, known as allotment—the forced dispersion of tribally owned land into thousands of small parcels, transferred to and held in trust for an individual Indians. The law required that ownership of these land parcels pass by intestate succession to all heirs of the original alottee, with each heir acquiring an undivided interest in the parcel. Over the years, the ownership of many of these allotted parcels has become increasingly subdivided. In some cases, an allotment is owned by more than 1,000 individuals, and parcels owned by several hundred individuals are not at all uncommon. These tracts of highly fractionated land are, as a practical matter, nearly useless for most economic development purposes.

The Indian Land Consolidation Program reduces land fractionation by consolidating highly fractionated parcels of Indian lands and restoring them to tribal ownership. Land consolidation improves administration and management of federal lands, reduces administrative costs to track fractionated land interests, and permits the land to be utilized to meet tribal government infrastructure or economic development goals.

Congress did not provide funding for this important program in FY 2009.

Department of Energy

The Department of Energy's (DOE) Title V office, the Office of Indian Energy Policy and Programs (OIEPP), is authorized to promote energy development, reduce energy costs, strengthen energy infrastructure, and enhance electrical power and service to Indian tribes. Congress provided $1.5 million in FY 2009 for the Office of Indian Energy Policy and Programs at DOE. This amount represents a start, as the Office was never fully supported in the prior Administration. However, more funding is needed to implement the Office's authorized programs and to assist tribes interested in joining the nation's drive to increase domestic and renewable energy production.

Title V included broad authority for the Office of Indian Energy Policy and Programs to develop programs that would support Indian energy development and electrical service on tribal lands. Title V also included authority to provide grants to Tribes or tribal organizations to establish tribal utilities, provide electrical service, and obtain transmission interconnection. Title V also included authority for the Office to provide grants to Tribes interested in carbon sequestration activities on Indian lands.

Title V also included authorization for the creation of an Indian Energy Guaranteed Loan Program. The program was intended to help encourage needed investment capital for energy projects on Indian lands.

The Department of Energy's Energy Efficiency and Renewable Energy Office includes a Tribal Programs office that provides grants to Tribes and tribal organizations for renewable energy projects. Congress provided $6 million in FY 2009 for Tribal Energy Programs.

In addition, the Committee recommends increased allocations for the following programs, which are proven to help foster economic development in Indian communities.

Department of Housing and Urban Development

Indian Community Development Block Grant. The Indian Community Development Block Grant (ICDBG) program within the Community Development Block Grant program is a competitive grant program that that funds direct grants to Tribes to provide housing and economic opportunities for low and moderate income persons. Indian and Alaska Native tribal governments traditionally receive one percent of CDBG funds. FY 2009 enacted level for this program was $65 million, a $3 million increase over the FY 2008 enacted level. Given the role this program plays in building critical economic development infrastructure in Indian Country, the Committee recommends that the ICDBG program be increased in FY 2010.

Department of the Treasury

The Treasury Department's Native American Community Development Financial Institutions (CDFI) program provides financial assistance, technical assistance, training and outreach to benefit Native American, Native Hawaiian, and Alaska Native communities. These investments are particularly important to tribal communities where there is not only a lack of private sector investment but a lack of access to any financial institutions. Many Indian communities lack a single financial institution within their borders. Native CDFIs often serve as the sole financial and non-profit institutions in their communities, providing critical access to capital, financial education and other services for reservation residents. The Treasury Department has documented that for every dollar a CDFI receives through the CDFI Fund program, the CDFI leverages $27 in private sector investments.

The FY 2008 enacted level for the Native American Set-Aside was $8 million, which was used to leverage approximately and additional $100 million in private sector investment in Indian Country. The Committee recommends that this important program continue to be funded in FY 2010.

EMERGENCY FUND FOR INDIAN SAFETY AND HEALTH

On July 30, 2008, the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 ("the Act") was signed into law as P.L. 110-293. A bipartisan amendment was agreed to adding a separate title to the Act, which established the Emergency Fund for Indian Safety and Health at the Department of the Treasury ("Tribal Emergency Fund"). Title VI of the Act authorized $2 billion for the Tribal Emergency Fund over a 5-year period to address issues of Indian water settlements, health care, and law enforcement in Indian Country. Title VI of the Act permits funds to be drawn down by the Secretary of Interior, the Secretary of Health and Human Services, and the Attorney General in such amounts as they determine are necessary to carry out the emergency plan to address these issues in Indian Country.

As noted above, all three of the permissible uses for the Tribal Emergency Fund are at critical need levels. According to IHS, safe and adequate water supply and waste disposal facilities are lacking in approximately 11% of American Indian and Alaska Native homes, compared to 1% for the U.S. general population. The Indian Health Service estimates that the unmet need for safe drinking water and adequate sewage systems in tribal homes is estimated to be over $2.3 billion. Detention facilitates in Indian Country are neither safe nor secure. A 2008 Department of the Interior-contracted Report confirms that Indian jails are grossly insufficient. The Report recommends the construction of 263 jails throughout Indian Country at an estimated cost of $8.4 billion. Finally, Indian health care funding remains inadequate. The IHS estimates the need for IHS and tribal health care facilities at approximately $3.5 billion.

The Committee recommends that the FY 2010 Budget Resolution allocate $400 million in budget authority for the Tribal Emergency Fund within the Treasury Department budget. The Committee further requests budget authority for the entire $2 billion dollar authorization for these priorities over the remaining authorized fiscal years.

III. Recommendations for Other Important Tribal Programs

The Committee also recommends funding increases for the following important programs at levels that reflect the government's trust and treaty obligations as well as the corresponding levels of unmet need.

IMPROVING INDIAN EDUCATION

The education of American Indians and Alaska Natives lags far behind that of the rest of the country. Nearly 90 percent of the 620,000 Native students attend public schools with their non-Native peers. Approximately 10% of Native students attend schools administered by the Department of the Interior, Bureau of Indian Education (BIE), a system of 184 K-12 schools for educating American Indian and Alaska Native students in 23 states. The federally supported Indian education system includes 48,000 students, and 29 tribal colleges, universities and post-secondary schools.

American Indians have the lowest level of educational attainment of any racial or ethnic group in the United States. The national graduation rate for American Indian high school students was 49.3% in the 2003-2004 school year, compared with 76.2% for white students. Further, only 13.3% of Native Americans have an undergraduate college degree, compared to the national average of 24.4%.

Bureau of Indian Education

Johnson O'Malley. The Johnson O'Malley program grants are the cornerstone for many Indian tribes, school districts, tribal organizations, and parent committees in meeting the unique and specialized educational needs of Indian students in public schools. The purpose of these grants is to provide supplementary financial assistance to meet Indian student needs that are not provided for by the Department of Education or through No Child Left Behind. For example, Johnson O'Malley grant funds help students achieve and succeed by providing such services as: eyeglasses and contacts, resume counseling, college counseling, culturally based tutoring, summer school, scholastic testing fees, school supplies, transition programs, Native youth leadership programs, financial aid counseling and caps and gowns for graduation. The FY 2009 enacted level for the Johnson O'Malley program is $21.4.

Education Construction. A May 2007 Interior Inspector General Flash Report Indian Schools found serious health and safety deficiencies at tribal and Bureau of Indian Education schools. The Report concluded that "failure to mitigate these conditions will likely cause injury or death to children and school employees." Despite this Report and its recommendations, the funding levels for BIE Indian school construction and repair has decreased dramatically in recent fiscal years. Funding for Indian school construction was reduced to $128.8 million in FY 2009.

Scholarships and Adult Education. These programs provide financial assistance to improve the success of students at each education level and allow students to obtain the basic skills necessary to transition to community college or job placement. The FY 2009 enacted level for the Scholarships and Adult Education program is $29.6 million.

Institutions of Higher Education. Tribal Colleges and Universities, Tribal Technical Colleges (the United Tribes Technical College (UTTC) and the Navajo Technical College (NTC)), and tribal vocational institutions (Haskell Indian Nations University (HINU) and Southwestern Indian Polytechnic Institute (SIPI)), all help address the significant higher education needs of American Indians and generally serve geographically isolated populations that have no other means of accessing education beyond the high school level. These universities and institutions have become increasingly important education institutions for American Indian students and are unique in that they combine personal attention with cultural relevance to encourage American Indians – especially those living on reservations – to overcome the barriers they face to higher education. Although these institutions serve some of the most impoverished areas in the nation, they remain the country's most poorly funded postsecondary institutions. The FY 2009 enacted level for Tribal Colleges and Universities, Tribal Technical Colleges, and Tribal Vocational Institutions is approximately $80.9 million.

Department of Health & Human Services

Esther Martinez Native American Languages Preservation Act. Tribes nationwide are combating the loss of traditional languages by advocating for and instituting programs within their communities. The Esther Martinez Native American Language Preservation grant program, administered by the Administration for Native Americans, seeks to stem the loss of Native languages. Tribal students in language immersion programs have been proven to perform better academically, including on national tests, than Native students who have not been enrolled in such programs. The enacted level for this program in FY 2009 was $3.5 million.

INDIAN HOUSING AND INFRASTRUCTURE IMPROVEMENTS

Department of Housing and Urban Development

Native Americans face some of the worst housing and living conditions in the United States. According to 2002 statistics, 90,000 Indian families were homeless or under-housed. On tribal lands, 28% of Indian households were found to be overcrowded or to lack adequate plumbing and kitchen facilities, compared to 5.4% of national households. [7] When physical structures that lack heating and electrical equipment are included, approximately 40% of reservation housing is characterized as inadequate, compared with 5.9% of the national households, and less than half of all reservation homes are connected to a public sewer system. One in five American Indians lives in an overcrowded home. Further, since Indian lands are held in trust or restricted-fee status, financial institutions often refuse to acknowledge Indian land as collateral for individuals to finance new homes.

To help address these disparities, the Committee recommends the following budget allocations for federal housing programs administered by the Department of Housing and Urban Development (HUD) and the Department of the Interior, through the Bureau of Indian Affairs.

Indian Housing Block Grant Program

The vast majority of funding derived by tribal housing authorities through the Indian Housing Block Grant program under Title I of the *Native American Housing and Self-Determination Act of 1996* (NAHASDA). This Act is the primary statutory authority under which the federal government carries out its responsibility to provide housing to American Indian and Alaska Natives. The NAHASDA reorganized the system of federal housing assistance to Native Americans by eliminating several separate programs and replacing them with a single block grant. The NAHASDA provides block grants to Indian tribes or their tribally designated housing entities (TDHEs) on a formula basis to help them address housing needs within their communities. The block grants may be used by TDHEs for affordable housing activities, including the purchase, modernization, or construction of housing units, as well as rental and homeowner assistance. The NAHASDA was re-authorized in the 110th Congress.

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[7] *Native America at the New Millennium*, Eric Henson and Jonathan B. Taylor, April, 2002, The Harvard Project on American Indian Economic Development.

Indian tribes have utilized NAHASDA Block Grant Program funds in innovative ways, and have been successful in addressing some of the most urgent housing needs in Indian country, proving that investment in this program brings results. The FY 2009 enacted level for this important program is $645 million.

NAHASDA Technical Assistance and Training

Technical assistance (TA) and training have been key components of making NAHASDA as successful as it has been over the past decade. Congress recognized the need for such activities in NAHASDA by authorizing funding "for assistance for a national organization representing Native American housing interests for providing training and technical assistance" (25 U.S.C. 4212). The major TA provider to tribal communities is the National American Indian Housing Council (NAIHC), a 35-year-old consortium of more than 460 Tribes and Alaska Native villages. Training and technical assistance are effective tools in maintaining compliance with NAHASDA's exacting statutory and regulatory accountability requirements and has also helped Tribes and tribal housing authorities address new issues, such as identification and remediation of methamphetamine use in tribal housing. Approximately 5,000 tribal housing staff participated in trainings in FY 2005 and 2006.

In FY 2005, the technical assistance and training program was funded at $4.6 million. That amount was reduced to $2 million in FY 2006, $1 million in FY 2007, and $1.9 million in 2008. Congress approved funding of $3.5 million in FY2009.

Housing Improvement Program

Approximately 14.2% of Indian homes have no electricity, 11.7% lack complete plumbing, and 11% lack complete kitchen facilities. The BIA's Housing Improvement Program (HIP) is needed to address some of these troubling statistics. The BIA HIP supplements the housing programs administered by the Department of Housing and Urban Development by building and improving reservation homes for individuals that are most in need. The HIP program provides housing to Indian families who have no other resources for housing. Unlike other federal programs, HIP recipients are not expected to repay the Federal government. The HIP program policy is that every Indian family should have the opportunity for a decent home and suitable living environment. HIP serves as a safety net for the poorest families who do qualify for the income requirements set forth by Tribes that administer housing programs under the Department of Housing and Urban Development. The purpose of the HIP is to address the housing needs of its poorest members.

In recent years, the Department of the Interior proposed eliminating HIP funding due to the program servicing a limited number of tribes and eligibility overlapping with programs at the Department of Housing and Urban Development. However, HIP assistance is only available where NAHASDA funding does not meet a particular Tribe's need. Moreover, the budget justifications from the Department failed to indicate any evidence of eligibility overlapping with other federal agencies. Likewise, the Committee has not been informed that leveraging funding for the two programs overlaps or duplicates the programs. Congress funded the HIP at $13.6 million for FY2008 and FY2009.

SELF-DETERMINATION CONTRACT SUPPORT COSTS

Contract support costs provide for basic administrative overhead necessary to ensure prudent management of and compliance with Indian Self-Determination contracts and Self-Governance compacts. Even though these costs are necessary for program support, shortfalls in funding continue to increase. Without full funding, Indian Tribes are forced to divert funding from direct services to cover the support costs, thereby forcing them to reduce services.

Contract support costs enacted levels for IHS in FY 2008 and 2009 were $267 million and $282 million respectively. The FY 2009 enacted level for Interior contract support costs is $147 million. The Committee recommends that budget authority for both Indian health and Interior contract support costs be increased to help address these longstanding shortfalls.

IV. Conclusion

We appreciate this opportunity to provide the Indian Affairs Committee's recommendations for the FY 2010 budget request and budget resolution, and look forward to working with the Budget Committee to ensure that programs that serve American Indians and Alaska Natives are funded at levels commensurate with our obligations to these communities.

Sincerely,

Byron L. Dorgan
Chairman

John Barrasso
John Barrasso, M.D.
Vice Chairman

United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-6475

SSCI #2009-1001

February 25, 2009

The Honorable Kent Conrad
Chairman
The Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Ranking Member:

We are writing in response to your letter dated February 19, 2009, requesting a "views and estimates" report on proposed Fiscal Year 2010 spending for programs and activities that fall within the jurisdiction of the Senate Select Committee on Intelligence.

Consistent with the Committee's prior practice, we decline to submit a separate "views and estimates" report for intelligence spending for Fiscal Year 2010 because the budget request for intelligence has been considered by previous Administrations to be classified and is contained within other specified accounts, including those for the Departments of Defense, State, Treasury, Energy, Justice and Homeland Security. Submitting a "views and estimates" report could potentially lead to violations of laws and regulations concerning the handling of national security information. The Committee will reconsider this practice should the current Administration decide to declassify the intelligence budget request.

Should you or your staff have any questions, please contact the Committee's Budget Director, Mr. Lorenzo Goco, at (202) 224-1700.

Sincerely,

Dianne Feinstein
Chairman

Christopher S. Bond
Vice Chairman

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510–6275

March 16, 2009

The Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

As Chairman and Ranking Member of the Senate Committee on the Judiciary, we thank you for the opportunity to express our views pursuant to Section 301(d) of the Congressional Budget Act concerning Fiscal Year (FY) 2010 funding for programs within the Judiciary Committee's authorizing jurisdiction. We recognize that the Administration has only released a "blueprint" of its FY 2010 budget.

The Administration's proposal provides $26.5 billion for the United States Department of Justice, an estimated increase of $1 billion above the FY 2009 level of $25.5 billion. The requests that we are making, as outlined below, show our commitment to ensure adequate resources for essential programs. We urge that these requests be given careful consideration. Acknowledging that the Judiciary Committee does not have the benefit of a complete budget from the Obama Administration, we make the following recommendations:

State and Local Law Enforcement Assistance

The need for State and local resources focused on protecting our communities from violent crime in combination with the resource demands of counterterrorism efforts at all levels of government, continue to strain the Nation's State and local law enforcement agencies. This is true particularly during this time of economic distress. Funds provided through the American Recovery and Reinvestment Act will serve as an important complementary effort to the normal budget process and will help restore Federal funding that has been cut over the last eight years and supplement depleted State budgets resulting from the economic downturn. It is essential that the budget provide the funding necessary to sustain and build the crime fighting capacity of State and local law enforcement through proven and effective law enforcement grant programs.

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The Honorable Judd Gregg
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Community Oriented Policing Services (COPS) - The COPS Program, which enables local communities to substantially increase the number of law enforcement officers interacting with the community and encourages innovative crime prevention programs and new law enforcement technologies, is a resounding success. Since 1995, COPS has awarded $11.3 billion in grants to law enforcement agencies, more than 118,768 new law enforcement officers in over 13,000 communities in all 50 States. Community policing and the outstanding work of so many law enforcement officers have played a vital role in our crime control efforts. With crime rates rising and the Federal Bureau of Investigation (FBI) transitioning agents from crime to counter-terrorism, we need to provide more, not less, support for State and local law enforcement.

Additionally, significant progress in the reduction of rural and small city violent crime rates made in the 1990s has stalled and reversed, as a result of those affected areas being unable to sustain and increase their police forces due to budget constrictions. Funding provided through this program to put more law enforcement on the streets has had a measurable effect on violent crime in small cities and rural areas and Congress should increase its investment in this regard.

Supporting local police also helps economic development more broadly. Over the past decade, entrepreneurs and hardworking homeowners have brought new life to once stagnant, often crime-ridden communities in inner cities and rural towns across the country. As these communities became safer, property values rose, businesses thrived, and local economies prospered. If crime returns, these economic gains will be lost.

Given the present economic situation in the United States, and the likelihood that the incidence of property and other crimes will increase, strong Federal support of State and local law enforcement efforts is especially important.

The Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 106-192) authorized the COPS program at an amount of $1.047 billion annually through FY 2009. We request that the COPS program be funded at its authorized level for FY 2010.

Edward Byrne Justice Assistance Grants (JAG) - As part of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) Congress streamlined the JAG and the Local Law Enforcement Block Grants (LLEBG) programs into one program authorized at $1.095 billion for fiscal years 2006 through 2012. As Chairman and Ranking Member of the Judiciary Committee, we strongly urge that JAG be funded at levels authorized for FY 2006 – FY 2012.

Violence Against Women Act (VAWA) - In 2005, Congress reauthorized the Violence Against Women Act (Public Law 109-162), which continues to be a tremendous success in providing essential and lifesaving programs to end sexual and domestic violence.

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Nearly 25 % of U.S. women report that they have been physically assaulted by an intimate partner during their lifetimes, and one in six have been the victims of attempted or completed rape. The cost of intimate partner violence exceeds $5.8 billion each year, $4.1 billion of which is for direct medical and mental health care services.

Full funding for VAWA's programs and services is essential in preventing violence and repairing the lives of victims. Cornerstone grant programs such as Services, Training, Officers, Prosecutors (STOP), the Grants to Encourage Arrest and Enforce Protection Orders, the Sexual Assault Services Program for victims of rape and sexual assault, the Transitional Housing Program for domestic violence survivors, and the Rural Domestic Violence and Child Victimization Grants deserve full funding at their authorized levels of $225 million, $75 million, $50 million, $40 million, and $55 million, respectively.

Bulletproof Vest Partnership (BVP) - The Bulletproof Vest Partnership Grant program plays an essential role in distributing lifesaving bulletproof vests to law enforcement officers serving in the front lines nationwide. The BVP program was reauthorized last Congress in the Bulletproof Vest Partnership Grant Act of 2008. That law authorizes $50 million per year through FY 2012 for this successful program that protects the lives of State and local law enforcement officers. In fact, the BVP is so successful that since 1999, it has provided law enforcement officers in 11,500 jurisdictions nationwide with nearly 500,000 new bulletproof vests.

The Bulletproof Vest Grant Partnership Act of 1998 was established in response to multiple tragedies involving law enforcement officers. In the tragic 1997 Carl Drega shootout on the Vermont-New Hampshire border, two State troopers who did not have bulletproof vests were killed. The Federal officers who responded to the scenes of the shooting spree were equipped with life-saving body armor, but the State and local law enforcement officers lacked protective vests because of the cost. In June 2003, a bullet pierced the body armor of Officer Edward Limbarcher of Pennsylvania's Forest Hills Police Department, critically wounding him, and demonstrating the structural weakness of many of the bulletproof vests that the Federal Government had helped to fund.

Bulletproof vests are fundamental to the protection of State and local law enforcement officers, but as the incident in Pennsylvania proved, are subject to deterioration over time and periodically require replacement. Moreover, State and local law enforcement officers are increasingly called upon by the Federal Government to assist in the national effort to protect the Nation against terrorism, and we believe that Federal assistance should be commensurate with the evolving responsibilities of State and local law enforcement. Ensuring that all law enforcement officers have access to body armor is a fundamental component of this effort. We request that this important program be funded at its authorized level of $50 million for FY 2010.

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Juvenile Justice - Difficult economic times lead to fewer job opportunities, more hardship, and fewer programs for young people, all of which can lead to an increase in juvenile crime. Accordingly, prevention and treatment programs for juveniles are essential.
Juvenile Justice Accountability Incentive Block Grants, reauthorized in the VAWA and Department of Justice Reauthorization of 2005 (Public Law 109-162), provide State and local governments with resources for hiring of personnel, training law enforcement, and building facilities, among other programs aimed at effectively preventing and responding to juvenile crime. We urge the Budget Committee to allocate funding for this program at the authorized level of $350 million.

Juvenile Delinquency Prevention Block Grants, authorized in Title V of the Juvenile Justice and Delinquency Prevention Act (JJDPA) (Public Law 107-273), give key resources to State and local programs aimed at keeping children out of trouble, particularly in difficult times. We recommend funding this program at the authorized level of $120 million.

JJDPA Formula Grants, authorized in Title II of the Juvenile Justice and Delinquency Prevention Act, give States the resources they need for effective and appropriate enforcement, prevention, and treatment with regard to juveniles. We recommend these grants be funded at the authorized level of $100 million.

The Judiciary Committee is presently working on a reauthorization of the Juvenile Justice and Delinquency Prevention Act. We anticipate that the reauthorization will modernize, expand, and improve the Federal Government's programs assisting States in keeping our children safe and out of the criminal justice system. Our budget allocations should reflect these priorities.

Second Chance Act - The Second Chance Act of 2007 (Public Law 110-199), which passed with overwhelming bipartisan support, was signed into law in April 2008. The Second Chance Act is a common sense, evidence-based approach to improving public safety by helping prisoners turn their lives around. Most individuals face numerous challenges when returning to the community from prison and research indicates that over half return to prison within three years of their release. By providing the resources needed to coordinate reentry services and policies at the State and local levels, the Second Chance Act ensures that the tax dollars spent on corrections do not simply fuel a revolving door in and out of prison. The programs authorized by the Second Chance Act address the wide array of issues that research has shown to improve reintegration and reduce recidivism, including education and job training, employment and housing services, substance abuse and mental health treatment, and mentoring programs.

The Second Chance Act authorizes $165 million for programs that will improve coordination of reentry services and policies at the state and local levels.

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The Second Chance Act includes a $55 million program for Adult and Juvenile Offender State and Local Reentry Demonstration Projects, which improve coordination of reentry initiatives and implement evidence-based practices. The Second Chance Act also authorizes a $15 million program for Mentoring Grants to Nonprofit Organizations, which provide mentoring and other transitional services to adult and juvenile offenders reentering the community. We urge the Committee to fund Second Chance Act programs at the authorized levels.
Mentally Ill Offender Treatment and Crime Reduction Act (MIOTCRA) – This initiative was signed into law in 2004 after receiving unanimous bipartisan support in Congress to address the significant problem of people with mental illness in the criminal justice system. MIOTCRA has been instrumental in helping State and local governments to develop initiatives to reduce costs, improve public safety, and allow the alarmingly high number of mentally ill offenders to receive the treatment they need to return to productive lives. The MIOTCRA program is also important to our Nation's efforts to decrease crime and recidivism among mentally ill offenders. Last Congress, MIOTCRA was reauthorized at $50 million for fiscal years 2009 - 2014. We urge the Committee to fund MIOTCRA at its full level of authorization.

Runaway and Homeless Youth Act - The Runaway and Homeless Youth Act was initially passed in 1974 (Public Law 93-415) and has been reauthorized several times, most recently last Congress in the Reconnecting Homeless Youth Act of 2008 (Public Law 110-378). These important programs serve America's most vulnerable youth through street outreach that helps to ensure youths' safety and survival, basic centers that provide refuge from victimization, and transitional living programs that help young people move toward productive adulthoods. The Nation's more than 400 programs help prevent victimization of runaway and homeless youth, ensure basic safety for unaccompanied minors, provide access to family reunification services; offer housing assistance for those at least age 16, and provide assistance for education including high school, GED, and post-secondary training. Life skills and money management; employment training and job-finding; and health care and other social services are also services provided by many runaway and homeless youth programs. Consolidated programs under the Runaway and Homeless Youth Act were appropriated at $97.2 million, a level at which many worthwhile programs throughout the country do not receive funding. We request that this program be funded at its authorized level of $140 million for FY 2010.

Drug Courts - The Drug Courts program was authorized in the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) at an amount of $70 million. Drug courts provide an important opportunity for communities to reduce drug abuse by providing incentives for low-level drug offenders to obtain effective treatment. We urge the Committee to fully fund the Drug Courts program at its authorized level of $70 million.

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Youth Violence Reduction Demonstration Grant Program - Section 1199 of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) authorizes five demonstration grants for areas with high incidence of juvenile and youth violence, high recidivism rates, and large numbers of at-risk youth. Given the recent surge of violence in America's cities, it is imperative that we encourage State and local governments to develop and implement innovative youth violence reduction programs by funding their initial efforts. We strongly urge this program be fully funded at $50 million, for which it was authorized in FY 2007.

Combating Crimes against Children

We urge the Committee to fully fund programs aimed at combating crimes against children.

President Bush's FY 2009 budget sought to consolidate existing child protection grant programs into one, a proposal which we strongly opposed, particularly insofar as it eliminated programs under the Missing Children Assistance Act.

The Justice Department estimates that 2,200 children are reported missing each day. There are approximately 114,600 attempted stranger abductions every year, with 3,000 to 5,000 of those attempts succeeding. Experts estimate that children and youth comprise between 85 percent and 90 percent of missing person reports. Programs under the Missing Children's assistance act work in coordination with Federal, State, and local law enforcement agencies to provide critical support to our law enforcement agencies in locating missing children.

Missing Children's Programs received $53 million in FY 2008, and we strongly urge that this funding level be maintained in FY 2010.

We also believe in the importance of funding the programs authorized by the Adam Walsh Child Protection Act of 2006 (Public Law 109-248) (the "Adam Walsh Act"), which was signed into law on July 27, 2006. In particular, we believe that it is important to fund the United States Marshals Service to aggressively pursue sexual predators and to fund the Bureau of Prisons to implement a comprehensive sex offender management program in prisons. We also urge the Committee to provide at least $18 million for Project Safe Childhood.

Justice For All Act

The Justice For All Act (JFAA) (Public Law 108-405) reflects years of hard work and is an important piece of legislation that stands to improve the quality of justice for all Americans by harnessing the power of DNA evidence.

The Honorable Kent Conrad
The Honorable Judd Gregg
March 16, 2009

The act was carefully drafted and negotiated by Congress with an eye toward creating a bipartisan scheme that addresses the rights of victims, improves forensic testing, reduces the risk of error in capital cases, and strengthens our Nation's criminal justice system.

The programs in the JFAA should be fully funded in FY 2010. The authorizations under the JFAA for FY 2009 include $5 million for enhancement of the Victim Notification System, as authorized in section 103; $28.5 million for the other victims' programs authorized in section 103; $151 million for the Debbie Smith DNA Backlog Grant Program, as authorized in section 202 and reauthorized by the Debbie Smith Reauthorization Act of 2008 (Public Law 110-360); $102.1 million for the other DNA programs authorized in sections 303-308; $20 million for the Paul Coverdell Forensic Sciences Improvement Grant Program, as expanded by Section 311 of the JFAA; $5 million for the Kirk Bloodsworth Post-Conviction DNA Testing Grant Program, as authorized in section 412; and $75 million for the Capital Representation and Capital Prosecution Improvement Grants, as authorized in section 426.

The JFAA represents a strong bipartisan achievement and was an important step to improving our criminal justice system. We recommend full funding for the JFAA and its programs.

National Instant Criminal Check System (NICS)

In 2007, both the Senate and House of Representatives took an important step toward improving the effectiveness of the National Instant Criminal Background Check System (NICS), which is administered by the FBI. At the end of the first session of the 110th Congress, both chambers unanimously passed the NICS Improvement Amendments Act of 2007 (Public Law 110-180).

The NICS database houses those public records that disqualify individuals from purchasing a firearm pursuant to 18 U.S.C. §§ 922(g) & (n). Currently, States vastly underreport disqualifying public records to NICS. The result is that the Federal database housing disqualifying records, which licensed firearms dealers' query when making a sale, fails to fulfill its goal to prevent firearms purchases to disqualified individuals. This failure was acutely realized in the tragedy that took 32 lives at the Virginia Polytechnic Institute and State University (Virginia Tech) on April 16, 2007.

The NICS Improvement Amendments Act of 2007 provides several State grant programs to give States strong incentives to begin improving the NICS system. The bill also provides penalties if States do not meet certain compliance standards. Given this approach, it is vitally important that NICS be fully funded at its authorization levels, so that States will not later be punished without being given the resources to correct the system. The programs under the NICS Improvement Amendments Act of 2007 are authorized $250 million for FY 2010.

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The Honorable Judd Gregg
March 16, 2009

In an effort to strengthen the partnership between States and the Federal Government in achieving an effective system to prevent firearms purchases by individuals prohibited from doing so under Federal law, the Committee requests that the authorizations in Public Law 110-180 be fully funded in FY 2010.

Big Brothers Big Sisters and Boys and Girls Clubs of America

The Big Brothers Big Sisters and Boys and Girls Clubs of America organizations are unique and valuable resources, which Congress has recognized by authorizing the missions of these organizations. In the 2009 Omnibus Appropriations Act Congress provided $80 million for competitive youth mentoring grants. We believe, however, that these organizations each deserve dedicated funding at their authorized levels.

Big Brothers Big Sisters - Subtitle A of Title VI of the Adam Walsh Child Protection and Safety Act of 2006 (Public Law 109-248) (the "Adam Walsh Act") recognized the ability of youth mentoring to make a positive impact in the lives of at-risk children by authorizing the Office of Juvenile Justice and Delinquency Prevention to make grants to Big Brothers Big Sisters of America for use in expanding capacity and serving youth. We request that the Committee fund the program at its authorized level of $13 million for FY 2010.

Boys and Girls Clubs of America - Boys and Girls Clubs across the country are a proven success in supporting our Nation's young people and promoting leadership. Congress has authorized funding for the Boys and Girls Clubs through 2010, and has consistently appropriated funds in recognition of the organization's success in discouraging youth gangs, drug abuse, and violence in communities across the country. In order to continue its work on behalf of the Nation's young people, this funding is critical. Therefore, we request that the Budget Committee fund the Boys and Girls Clubs of America at $100 million, the level at which it was authorized by Public Law 108-344, for FY 2010.

Regional Information Sharing System (RISS)

The RISS serves as an invaluable tool to Federal, State and local law enforcement agencies by providing much-needed criminal intelligence and investigative support services. It has built a reputation as one of the most effective and efficient means developed to combat multi-jurisdictional criminal activity, such as narcotics trafficking and gang activity. Without RISS, most law enforcement officers would not have access to newly developed crime-fighting technologies and would be hindered in their intelligence-gathering efforts.

We must ensure that RISS can continue current services, meet increased membership support needs for terrorism investigations and prosecutions, increase intelligence analysis capabilities and add staff to support the increasing numbers of RISS members.

The Honorable Kent Conrad
The Honorable Judd Gregg
March 16, 2009

The RISS operates six intelligence centers that support over 8000 local, State, Federal, and tribal law enforcement agencies, and its membership continues to grow every year. In both FY 2007 and FY 2008, Congress appropriated $40 million for RISS. In the 2009 Omnibus Appropriations Act, $45 million is appropriated for RISS, but a portion of this funding is dedicated to a separate program. We request that the RISS program be funded at an amount of $55 million for FY 2010 to accommodate its expansion in coming years.

Fraud Enforcement and Recovery Act

The bipartisan Fraud Enforcement and Recovery Act (FERA) (S. 386) was reported by the Judiciary Committee on March 5, 2009, and we expect this legislation, which has strong support from the Justice Department, will become law this year. The FERA will reinvigorate our Nation's capacity to investigate and prosecute the financial frauds that have so severely undermined our economy and hurt so many hard working people in these difficult economic times. The FERA provides the resources and new tools needed by law enforcement to uncover and prosecute these frauds and aggressively enforce fraud in connection with bailout and recovery legislation.

The FERA authorizes $165 million a year for hiring fraud prosecutors and investigators at the Justice Department for FY 2010. This includes $75 million for the FBI to hire 190 additional special agents and more than 200 professional staff and forensic analysts to rebuild its "white collar" investigation program. With this funding, the FBI can double the number of its mortgage fraud task forces nationwide – from 26 to more than 50 – that target fraud in the hardest hit areas of our Nation. The total also includes for FY 2010, $50 million for U.S. Attorneys' Offices to staff those strike forces and $40 million for the Criminal, Civil, and Tax Divisions at the Justice Department to provide special litigation and investigative support. In addition, the bill authorizes $80 million in FY 2010 for investigators and analysts at the U.S. Postal Inspection Service ($30 million), Office of Inspector General for the Housing and Urban Development Department (HUD IG)($30 million), and the U.S. Secret Service ($20 million) to combat fraud against Federal assistance programs and financial institutions.

We request that the authorized levels for funding in FY 2010 be given consideration in this year's budget, which would be $165 million for the Justice Department (as allocated by the bill), $30 million for the Postal Inspection Service, $30 million for the HUD IG, and $20 million for the U.S. Secret Service.

Public Corruption Prosecution Improvements Act

The bipartisan Public Corruption Prosecution Improvements Act of 2009, which has the strong support of the Department of Justice, was reported by the Senate Judiciary Committee on March 12, 2009.

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Among other things, the bill provides $100 million over four years in much-needed additional funding for public corruption enforcement, which has fallen over the past eight years as resources have been shifted away from the pursuit of white collar crime to counterterrorism. While there may be further changes to the bill before enactment, we do not anticipate changes to the bill's authorizing provisions. Therefore, we request that the authorized level of funding of $25 million to the Department of Justice and the Offices of Inspector General, be given consideration in the FY 2010 budget.

Rural Law Enforcement Assistance Act of 2009

The bipartisan Rural Law Enforcement Assistance Act (S. 150) reauthorizes the rural law enforcement assistance program first passed by Congress in the early 1990s, and we expect it to pass this year. Like so many valuable programs that help local law enforcement and crime prevention, funding for this program was allowed to lapse over the last eight years, despite its effectiveness in contributing to the record drop in crime in the late 1990s.

The bill authorizes $75 million a year over the next five years in new Byrne grant funds for State and local law enforcement, specifically for rural States and rural areas within larger States. This support would be used to hire police officers, purchase necessary police equipment, and to promote the use of task forces and collaborative efforts with Federal law enforcement. Just as important, these funds would also be used for prevention and treatment programs in rural communities – programs that are necessary to combat crime and are too often the first programs cut in an economic downturn. This bill also authorizes $2 million a year over five years for specialized training for rural law enforcement officers, since training is another area that often experiences cuts in hard times. This bill will immediately help cash-strapped rural communities with the law enforcement assistance they desperately need.

We request that the Committee take into consideration the authorized funding of $75 million for FY 2010.

Gang Abatement and Prevention Act

In 2007, the Senate passed the Gang Abatement and Prevention Act (S. 456). We hope that Congress will pass this important legislation this year. To facilitate consideration of this legislation, and particularly those vital provisions which fund effective prevention programs and collaborations between law enforcement and effected communities, we wish to signal to the Budget Committee the Judiciary Committee's interest in the Gang Abatement and Prevention Act. The bill will provide resources necessary to adequately support the officers who combat gang violence on a daily basis and the organizations that work to keep children out of gangs.

Should Congress enact this legislation, it will be particularly important to fully fund the bill's initiatives to support collaborative law enforcement and community prevention efforts, including funding of civic groups pursuing innovative prevention programs that truly work to reduce gang violence.

Federal Bureau of Investigation (FBI)

The President has requested $8 billion for the FBI. While we support the President's request, we emphasize the following:

We note the FBI's troubled efforts to modernize its information technology (IT) program since September 11, 2001. In past years, the Justice Department's Office of the Inspector General (OIG) has issued several audit reports on the FBI's latest IT modernization program, known as Sentinel. In August 2007, the Inspector General (IG) issued its latest audit of Sentinel reporting on the completion of phase one of four in the program. The IG found that certain elements of the Sentinel Program would be delayed, and identified some cost overruns for the program, suggesting that the program will need continued monitoring to ensure the program accomplishes its goal of creating a functional IT system for the FBI. While supportive of funding for Sentinel, the Judiciary Committee is committed to conducting vigorous oversight of the FBI to ensure the Sentinel Program remains on budget and on schedule.

The Judiciary Committee will also pursue oversight of additional budget-related matters at the FBI. For example, we will continue to examine whether the FBI has been successful in developing, training, and retaining its growing workforce of intelligence analysts.

We are pleased with the progress the FBI has made in clearing its backlog of pending name checks, and we are hopeful that the FBI will continue to make efficiency a priority in the name check process to avoid future backlogs. The National Name Check Program (NNCP) reportedly receives between 3.3 and 3.5 million name check requests annually. Of these, more than 1.5 million are related to immigration cases from the Department of Homeland Security, followed in volume by requests from the Office of Personnel Management and the State Department. Given the critical importance of these security processes, we emphasize our hope that the FBI will continue to improve the program's efficiency and effectiveness.

Civil Rights

The Department of Justice plays a vital role in prompt enforcement of our civil rights. We support an increase in funding for the Civil Rights Division and an increased focus on the core mission of the Division to safeguard civil rights. The Judiciary Committee supports the President's request of $145 million for the Civil Rights Division at the Department of Justice.

The Honorable Kent Conrad
The Honorable Judd Gregg
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In an effort to supplement the annual appropriation for the Civil Rights Division, we make the following requests:

Emmett Till Unsolved Civil Rights Crime Act - The Emmett Till Unsolved Civil Rights Crime Act of 2007 (Public Law 110-344) ("Emmett Till Bill"), which passed both chambers of Congress with overwhelming support, was signed into law on October 7, 2008. The Emmett Till Bill needs to be fully funded to ensure that the Federal Government can investigate and prosecute unsolved civil rights cases before the window of time to do so closes.

The Emmett Till Bill authorizes $10 million for the Attorney General to investigate and prosecute decades-old violations of criminal civil rights laws. The bill authorizes $2 million in grant awards to State and local law enforcement agencies for expenses associated with the investigation and prosecution of criminal offenses involving decades-old civil rights murders. It also includes $1.5 million for the Community Relations Service of the Department of Justice to provide technical assistance to bring together law enforcement agencies and communities to investigate decades-old violations of criminal civil rights laws. We urge the Budget Committee to fund Emmett Till Bill programs at the authorized levels.

Hate Crimes - The Local Law Enforcement Hate Crimes Prevention Act ("Hate Crimes Act"), which we have worked for years to try to pass, is a top civil rights priority in the 111th Congress. This hate crimes legislation needs to be passed and fully funded to, among other things, improve current law by making it easier for Federal authorities to investigate and prosecute crimes based on race, color, religion, and national origin. It also expands protections for victims of violent crimes that were targeted based on their sexual orientation, gender, gender identity, or disability.

The Hate Crimes Act authorizes the Attorney General to award $5 million in grants to State, local, and tribal law enforcement agencies for extraordinary expenses associated with the investigation and prosecution of hate crimes. This bill includes the authorization of "such sums as may be necessary" to ensure that the Office of Justice Programs of the Department of Justice award grants to State, local, or Tribal programs designed to combat hate crimes committed by juveniles. The bill also directs the Department of the Treasury and the Department of Justice to authorize "such sums as are necessary" to increase the number of personnel to prevent and respond to alleged violations of violent crimes motivated by bias. We urge the Budget Committee to ensure that this vital function can be fully funded when passed into law.

State Criminal Alien Assistance Program (SCAAP)

Enacted as part of the Violent Crime Control and Law Enforcement Act of 1994, SCAAP reimburses States and localities that incur costs for incarcerating undocumented criminal aliens.

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SCAAP is administered by the Office of Justice Programs' Bureau of Justice Assistance and funding for the program has been appropriated by Congress annually since 1995, including $400 million for FY 2009. However, the calculated awards cover only a portion of the costs that State and localities must incur to house undocumented criminal aliens and are then further reduced based upon available funding. In 2005, for example, actual awards were only 36 percent of calculated awards.

In 2006, Congress amended the Immigration and Nationality Act (INA) to specifically authorize SCAAP funding through FY 2011 at a maximum level of $950 million. See INA § 241(i)(5)(c). The substantial number of illegal aliens in the United States—estimated in the millions—coupled with the fact that a percentage of these aliens commit felonies while present in our country, causes many of our State and local governments to spend part of their already-scarce resources on the prosecution and incarceration of these criminal aliens. The SCAAP program was initially established because of the overriding principle that protecting the Nation's borders from illegal immigration is the responsibility of the Federal Government. States and localities have no other option but to house these individuals, and, without necessary Federal funding, this is very similar to an unfunded mandate. In addition, as a 2002 DOJ audit report suggests, with properly conditioned grants, SCAAP is more than reimbursement, it is an important tool in securing critical State and local cooperation in the Institutional Removal Program, which is designed to identify and process removable criminal aliens while they are still in custody so that they may be promptly removed upon completing their sentence. We therefore request that SCAAP be funded at least at the level appropriated for FY 2009.

Office of Inspector General (OIG)

The Office of Inspector General (OIG) plays an important role in oversight and improvement of the Department of Justice's functions, and will play a crucial role in the coming years to restore confidence in the Department of Justice. The OIG has exercised responsibility for many important investigations, including matters relating to the removal of U.S. attorneys and alleged politicization in the Department of Justice's hiring process for career employees; a follow-up review of the FBI's use of national security letters; a review of the Justice Department's involvement with the National Security Agency terrorist surveillance program; and a review of the FBI's involvement in and observations of detainee interrogations in Guantanamo Bay, Iraq, and Afghanistan. These reviews and the OIG's continued oversight are essential to restoring the independence and integrity of the Department of Justice.

While the administration has not provided a specific budgetary request for the Office of the Inspector General, we request that the Department of Justice's Office of Inspector General be funded at an amount not less than the amount appropriated for FY 2009, which was $75.68 million.

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Freedom of Information Act (FOIA)

A key component of the Open Government Act of 2007 (Public Law 110-175), is the creation of the Office of Government Information Services (OGIS) in the National Archives and Records Administration. Among other activities, OGIS will mediate disputes between Federal agencies and FOIA requestors, review agency compliance with FOIA, and house the newly created FOIA ombudsman. Recently, Congress provided initial funding in the 2009 Omnibus Appropriations Act to establish this critical office. We urge the Committee to provide additional funding for OGIS to hire staff and to secure resources so this important office can carry-out its mission.

Secret Service

Cyber and identity crime investigations conducted by the Secret Service are essential to protecting our Nation's financial and telecommunications infrastructure. Funding is needed to support the highly successful operations of the Secret Service's Electronic Crimes Task Force (ECTF) initiative – an initiative that has attracted broad, bipartisan support from Congress since passage of the USA PATRIOT Act of 2001. Financial fraud and identity crimes committed both domestically and abroad, continue to plague our Nation's critical financial infrastructure. One of the most effective means of combating organized criminal elements and the criminal abuses of technology, both in the U.S. and abroad, is through the use of the Secret Service's ECTFs. The ECTFs are a proven, resounding success, creating groundbreaking partnerships between Federal law enforcement, their local police and prosecutorial partners, and the private sector and academia. These task forces, strategically placed throughout the country, have become the primary conduit for cooperation between the Federal Government and the private sector in the prevention, detection and investigation of electronic crimes. We urge the Committee to increase funding for this highly successful program by at least $5 million to continue an effective law enforcement program and training of special agents.

Funding is also important for the Secret Service for electronic crimes investigative training. Such training is imperative for the basic investigations of computers and electronic crimes, in advanced network intrusions, and in the forensic examination and preservation of digital evidence.

Funding should also be directed at electronic investigative operations. Technological advances offer domestic and transnational criminals new avenues to exploit our financial infrastructure vulnerabilities. Identity crime, credit card fraud and bank fraud are now being routinely committed on the Internet. Through its investigations, the Secret Service identifies systemic weaknesses in the financial, telecommunications, and other critical infrastructures. The information gathered will provide private industry and the public the ability to identify vulnerabilities and prevent or minimize future attacks.

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Finally, funding should be directed at programs to collect and analyze criminal intelligence. The Secret Service serves as a central repository for the collection of data related to identity theft, credit card fraud, bank fraud, and telecommunications fraud. Developing technologies and trends in the financial payment industry provide information that may be used to enhance the Secret Service's capabilities to prevent and mitigate attacks against the financial and telecommunications infrastructures.

Cyber Crime and Identity Theft

Cyber crime and identity theft investigations are essential to protecting our Nation's financial and telecommunications infrastructure and the privacy of all Americans. Funding and staffing resources should also be directed at electronic investigative operations involving data breaches and the theft of sensitive personal data contained on government and private sector computers.

Identity theft, one of the most common forms of cyber crime, is a major concern among State and local law enforcement agencies. There is a critical need for the Federal Government to take a leading role in establishing a national strategy to combat identity theft. We urge the Committee to fully fund any initiatives aimed at fighting cyber crime, and particularly those undertaken by the electronic crimes task forces of the United States Secret Service.

Copyright Royalty Board (CRB) and the Copyright Royalty Judges

The Copyright Royalty and Distribution Reform Act of 2004 replaced copyright arbitration royalty panels with the Copyright Royalty Board (CRB), composed of three appointed Copyright Royalty Judges. The Librarian of Congress swore those three judges into office on January 11, 2006. The CRB took over the adjudication of royalty rates for compulsory licenses under the Copyright Act, conducting proceedings that, for example, set rates to be paid by entities ranging from cable companies to webcasters for their use of copyrighted content as they deliver video and music programming. The CRB is also involved in adjudicating disputes about how these payments are distributed to copyright holders.

Because the benefits of compulsory licensing flow almost exclusively to the licensees and the public, we believe the cost of administering the licenses should not be paid exclusively by the copyright holders. The law creating the CRB made clear that funding was to be made out of public funds and not out of the Copyright Office account (17 U.S.C. 803(e)(1)(B)). Thus, to implement that provision, we urge that the CRB receive full and mandatory funding, in order to permit this important work to be accomplished. Thus, the Judiciary Committee requests that the Budget Resolution contain mandatory funding to fund the CRB at: \$1,400,000 for FY 2010; \$1,450,000 for FY 2011, \$1,500,000 for FY 2012, and \$1,550,000 for FY 2013.

Note that mandatory funding for the CRB at $1,300,000 per year for fiscal years 2006 through 2010 was passed by the full Senate in late 2005 in section 8004 of S. 1932, but the provision was dropped in Conference. The allocation of funds by your Committee for this purpose would provide the funding needed for the Senate and the House to pass legislation based on the text of section 8004 (of S. 1932, as passed by the Senate in the 109th Congress) except with annual increases in funding of $50,000 per year, ending in FY 2013.

U.S. Patent and Trademark Office

We urge the Committee to fully fund the United States Patent and Trademark Office (PTO) and to prevent the diversion of fees from the agency to other governmental bodies. This funding would provide critical resources to the PTO, which currently faces an overwhelming backlog of patent applications. In order to cut down on backlog and increase patent quality, the agency needs the full allocation of resources to hire more examiners and staff members.

Intellectual Property Enforcement Funding

Industries based on intellectual property (IP) account for more than $5 trillion of the U.S. gross domestic product, drive more than half of U.S. exports, and employ over 18 million Americans. We urge the Committee to fully fund initiatives aimed at fighting intellectual property theft, particularly those undertaken by the Department of Justice for intellectual property rights enforcement. In particular, Public Law 110-403 authorized $25 million in each of fiscal years 2009 to 2013 to make grants to eligible State or local law enforcement entities to combat intellectual property theft and infringement crimes; $10 million in each of fiscal years 2009 to 2013 to hire ten additional agents at the FBI designated to support Computer Crime and Intellectual Property Section, ensure all Computer Hacking and Intellectual Property Crime Units are supported by at least one FBI agent, ensure all Computer Hacking and Intellectual Property Crime Units are assigned at least two Assistant United States Attorneys and provide appropriate training; and authorized $10 million in each of fiscal years 2009 to 2013 for the FBI and the same amount for the Criminal Division to hire and train law enforcement officers and to procure advanced tools for investigating high tech crimes. We urge the Committee to fully fund these new law enforcement programs that will benefit our economy.

Public Law 110-403 also elevated the intergovernmental coordination of intellectual property enforcement efforts within the administration from the Department of Commerce to the White House with the creation of the Intellectual Property Enforcement Coordinator. The Coordinator will chair a council of representatives from every Department and agency that actively participates in the enforcement of intellectual property. This individual could potentially be influential in enhancing the effectiveness of intellectual property enforcement efforts; however, he will only be able to succeed if his office is adequately funded. We urge the Budget Committee to fully fund the Coordinator's office.

The Honorable Kent Conrad
The Honorable Judd Gregg
March 16, 2009

The Federal Judiciary and Court Security

The Committee recognizes the essential role that an independent Federal judiciary plays in our constitutional system of government. The Committee understands that Federal judges have no control over the number of cases filed in Federal courts and have little flexibility in how quickly these cases must be handled. The judiciary's workload is heavily influenced by national policies initiated in the Executive and Legislative Branches. In an effort to supplement the annual appropriation for the Federal judiciary, the Committee makes the following requests:

Court Security Improvement Act - In 2008, the Court Security Improvement Act was enacted into law. This law demonstrates Congress's strong support for the safety and security of the Nation's court personnel. We request that Congress provide funding in the authorized amount of $55 million for FY 2010 pursuant to the authorizations in the legislation.

New Federal Judgeships - Looking ahead, there is a need for new Federal judgeships to address the judiciary's increasing caseloads. Since 1990, case filings on Federal appellate courts increased by 55 percent and case filings on Federal district courts rose by 29 percent. In 2006, the weighted number of filings in district courts, which takes into account an assessment of complexity, were 464 per judgeship, well above the Judicial Conference's standard. The same year, the national average circuit court caseload per three-judge panel approached the record number of 1,230 cases, recorded a year earlier. The Committee may consider legislation during this session that would add additional judgeships to the Federal district and circuit courts to address this shortfall.

Time-Computation Legislation - The Committee anticipates legislation that would slightly alter time deadlines in certain statutes that affect court proceedings. These changes are necessary to account for the effect of amendments to the time-computation rules in the Federal Rules of Practice and Procedure that take effect on December 1, 2009, unless Congress acts to modify or reject them. Because some statutes affecting court proceedings use the time-computation provisions in the Federal Rules, corresponding changes are needed to maintain consistency and avoid confusion.

Reserve Fund for Legislation Providing an Increase in Judicial Salaries - The Committee anticipates legislation to provide Federal judges with a salary increase. Once again, Chief Justice Roberts has singled out this issue as an issue of paramount importance to the Federal judiciary, and the goals of attracting highly skilled lawyers to become Federal judges. We anticipate that this legislation may once again come before the Senate. To accommodate potential future legislation providing a salary increase for Federal judges, we request that a reserve fund be included in the Budget Resolution providing for such legislation.

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The Honorable Kent Conrad
The Honorable Judd Gregg
March 16, 2009

Thank you again for allowing us to share our views and estimates for FY 2010. We look forward to working closely with you on this and other issues.

Sincerely,

PATRICK LEAHY
Chairman

ARLEN SPECTER
Ranking Member

United States Senate

COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510–6325

March 18, 2009

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senators Conrad and Gregg:

This responds to your letter dated February 19, 2009, regarding the views and estimates of programs under the jurisdiction of the Committee on Rules and Administration for the Fiscal Year 2010 budget.

Consistent with Section 321 of the 2009 budget resolution, the Committee reviewed its jurisdictional programs, including its Legislative Branch accounts. The Committee has determined that there are no expenditures that appear to rise to the level of "waste, fraud, and abuse" for program spending.

The Committee also reviewed the Legislative Branch accounts in the President's Budget for FY10 and does not anticipate significant changes for the purposes of the budget resolution. However, the Committee anticipates expenditures with respect to proposed election reform legislation during the 111th Congress.

The Committee seeks a total of $470 million dollars in unfunded payments to the States in light of the record expenditures for the 2008 caucus, primary and general elections, as well as on-going unfunded expenditures for implementing the federal election administration and technology requirements under Title III of the Help America Vote Act ("HAVA"), P.L. 107-252.

The 2008 federal elections for President and Congress were unprecedented in the number of voter registration problems that disenfranchised millions of eligible voters nationwide. In order to remedy this situation, the Committee will seek funding for anticipated election reform legislation. Since the 2009 budget authority baseline estimates are unavailable at this time, CBO estimates were not used for the purposes of this letter.

In previous Congresses, election reform funding was included in the discretionary appropriations in the general government function for the Election Assistance Commission. The Committee recommends the unfunded $470 million be included in the FY10 budget in the same manner.

To ensure that Congress did not impose an unfunded mandate on the States, HAVA authorized nearly $3.860 billion, of which $3.650 billion was designated for election administration and technology programs to States over three fiscal years. To date, Congress appropriated over $3.44 billion, but failed to fund $470 million, of which $442 million dollars are for requirements and $28 million for disability access grants and protection and advocacy payments. The $442 million would be distributed to the States as Title II and III requirements payments for compliance with HAVA and election reform funding. The $470 million shortfall impedes state compliance with the Act, such as modernizing voter registration lists.

The Budget Committee recognizes the partnership commitment between federal and state governments and has provided significant funds for implementing HAVA. However, in the last four fiscal years, FY06-FY09, the budget resolution provided negligible funding to the Election Assistance Commission for payments to the States. The four-year underfunded shortfall resulted from an appropriation of $16.2 million for EAC operations in FY06 (P.L. 109-149); an appropriation of $21 million in FY07 (P.L. 110-5); an appropriation of $21 million for EAC operations and $115 million for requirements payments in FY08 (P.L. 110-161); and $17 million for EAC operations and $100 million for HAVA programs in FY09 (P.L. 110-161).

It is the responsibility of Congress to help ensure that the final results of federal elections are accurate, reliable, secure, and transparent. Problems brought about by insufficient funding of election reform initiatives may undermine public confidence in elections. Enclosed is a letter from a broad coalition of organizations representing State and local governments in partnership with voting rights and disabilities communities urging Congress to fully fund HAVA with $470 million in FY10.

Thank you for your assistance and continuing support. If you require additional information, please do not hesitate to contact me or have your staff contact the Rules Committee staff – Jean Bordewich, Staff Director; Jason Abel, Chief Counsel; or Veronica Gillespie, Elections Counsel.

Sincerely,

Charles E. Schumer
Chairman

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

March 13, 2009

The Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Judd Gregg
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Kent and Judd:

As Chair and Ranking Member of the Senate Committee on Small Business and Entrepreneurship, we submit the following views and estimates on the President's Fiscal Year (FY) 2010 budget request for the Small Business Administration (SBA or Agency) and other matters under the Committee's jurisdiction in compliance with section 301(d) of the Congressional Budget Act. We thank you for your past support of small business and the SBA, and also for considering the Committee's views as you prepare the FY 2010 budget.

FY 2010 Budget Request Overview
The President has requested approximately $700 million in new budget authority for the SBA's FY 2010 budget, which includes $101 million for the Disaster Loan program. While we do not yet know the President's funding level requests for other SBA programs, we respectfully request that as you prepare the FY 2010 budget resolution, you consider providing a minimum of $880 million to the SBA. The SBA is the only Federal agency dedicated to small businesses, and during this financial crisis it is more crucial than ever that we provide adequate resources to the Agency to help entrepreneurs start or maintain their businesses. Since FY 2001, the SBA's funding was cut 28 percent, the most of any agency. The funding in the Economic Recovery and Reinvestment Act was a critical step in helping to significantly restore resources available to small businesses through the SBA, but we need to do more. While headlines and emergency Congressional measures have focused on stabilizing massive financial institutions and corporate layoffs, it is vital for Congress to also recognize that small businesses and their employees have been disproportionately affected by the financial crisis. Job loss figures show that more than 80 percent of job losses since November were from small businesses. With appropriate and reasonable funding, the SBA can more effectively help our country reduce job losses, bankruptcies and business closures.

7(a) and 504 Loan Guaranty Programs
The lack of capital for small businesses caused by the credit crisis has increased the need for SBA lending programs. The Economic Recovery and Reinvestment Act included important temporary provisions that will help free up credit and investment capital for small businesses. However, we are concerned that the economy's impact on the SBA's two largest loan programs will require the SBA to increase fees charged to borrowers and lenders in order to maintain the

programs at zero subsidy, which would undermine those provisions we included in the Recovery Act to help stabilize the credit markets and stimulate the economy. Consequently, we request $40 million to offset any fee increases that might be needed to back $17.5 billion in 7(a) loan guarantees and $7.5 billion in 504 loan guarantees. We also request $7 million for the 504 loan program to reimburse Certified Development Companies (CDCs) for staff costs for liquidations and recovery actions for defaulted loans, as required by SBA Regulation 120.542.

Microloan and PRIME Programs

In the face of the ongoing credit crisis, we must support the SBA's Microloan Program. SBA micro-intermediaries and non-profits that provide technical assistance to our smallest businesses report that demand is up from 50 to 75 percent. This is particularly true in states where the unemployment rates are high and people are out of work for six months or more, and have concluded that their best hope for an income is to start their own business. Some microlenders report that even borrowers with good credit scores, in the 700s, who last year would have been able to get a loan from a bank, are now being turned away from banks and are looking to microlenders to provide them with loans. In order for the SBA's microloan programs to operate effectively and help meet demand, we respectfully request that you consider $30 million for the SBA's Microloan programs: $5 million for microloans to support a program level of around $40 million (assuming a subsidy rate of 12.5%) and $25 million for Technical Assistance grants to microlender intermediaries.

The Microloan Program has been one of the most successful SBA programs to date. Since its implementation in 1992, the Microloan Program has proven tremendously effective at reaching and serving the needs of minority, women, and rural small business owners, while incurring little loss to the taxpayer. Funding this program and its corresponding Technical Assistance is vital to the program's continued success, and will also encourage continued participation from intermediaries who, by law, are required to set aside money in a loan loss reserve account to cover any potential losses or defaults. The money provided to intermediaries allows them to provide technical assistance and protect their investment to borrowers, who are often unable to obtain credit elsewhere.

We also respectfully request $15 million for the Program for Investment in Microentrepreneurs (PRIME). The PRIME program provides unique, intensive, one-on-one business counseling that is mainly targeted toward low-income individuals. This program helps bridge the gap for low-income entrepreneurs who may possess some business experience, but not enough to be deemed credit worthy.

Disaster Loan Program

In addition to its mission to represent the interests of small businesses, the SBA also provides essential recovery assistance to homeowners, renters and businesses in the aftermath of disasters. Following Hurricanes Katrina and Rita in 2005, the Agency was criticized for a general lack of preparedness before the storms and a lack of responsiveness after the disasters. The Committee recognizes that the Agency has made significant progress since 2005 in improving its disaster planning and response capabilities, both through administrative action and through expanded legislative authority provided by P.L. 110-234, the Food, Conservation, and Energy Act of 2008. We, therefore, support the President's funding level request of $1.1 billion in disaster loans, as well as his request of $101 million to operate the program and implement a pilot program in 2010 to test the Guaranteed Disaster Loan programs outlined in P.L. 110-234.

New Markets
The New Markets Venture Capital (NMVC) program provides venture capital and technical assistance to firms with high-growth potential in high-unemployment areas, both urban and rural. The NMVC program, according to information gathered by our Committee during reauthorization in the last Congress, is ahead of even the Agency's expectations in success. As with years past, we respectfully request that you restore funding for the NMVC program that was rescinded in the FY2003 Omnibus Appropriations Act Conference Report: $10.5 million for guaranteed debentures, and $13.75 million in grants for NMVC technical assistance. This would allow the SBA to back up to seven new funds, investing up to $62 million in promising firms where investment capital and economic activity is needed the most.

Lender Oversight
Providing the SBA with adequate funding to improve its current lender oversight system is one of our Committee's top priorities. While the Agency deserves credit for making progress in implementing policies outlined in a 2004 GAO report, there is still much work to be done. Several recent reports by the SBA Inspector General have brought to our attention significant flaws remaining in the oversight process, which have caused the SBA to lose millions of dollars through its lending programs. Insufficient funding in previous fiscal years has led to cuts in staffing and insufficient controls for portfolio review, among other problems outlined in the reports. While there is a need for more on-site and off-site reviews of lenders, it remains unclear if the current reviews are effective and if the lenders should be charged for those reviews. Therefore, in order to address these issues, protect taxpayer investments, and keep the SBA's core mission intact, we respectfully request $12 million in funding to support the oversight system and offset lender oversight fees.

Office of Technology
The Office of Technology, which promotes and monitors the highly successful Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, has seen its operating budget cut by more than half during the last 18 years. At the same time, the SBIR and STTR budgets have more than doubled, with participating SBIR and STTR federal agencies allocating more than $2 billion to small high-technology firms across the country each year. This amount will continue to increase following the new research and development funding allocated through the Recovery Act. While we applaud the success of these crucial programs, we are alarmed that funding for the Office of Technology has not grown to meet the program's demands. The Office of Technology's lack of adequate funds has led to significant staff reductions, resulting in inadequate oversight of the agencies participating in the program. Without adequate funding, this office cannot function as it was intended and cannot support the SBIR and STTR programs. In order to provide the Office with the resources it requires, we respectfully request at least $1.5 million for this Office to go toward additional staff, oversight, outreach, travel, and maintenance of its databases.

Small Business Development Centers

Due to the tough economic conditions, Small Business Development Centers (SBDCs) are continuing to see unprecedented levels of demand – many SBDCS have two to three week waiting lists. In order to meet the increased demand, we request $135 million for the centers, including a separate $5 million for the Veterans Assistance and Services Program, which was enacted as part of the Military and Reservist Small Business Reauthorization and Opportunity Act, and a separate $5 million for the Small Business Energy Efficiency Program, which was enacted as part of the Energy Independence and Security Act of 2007. The SBDC program creates jobs, increases economic activity, and does so in a cost-effective manner. Firms that receive in-depth SBDC assistance experience job growth rates that are 17 times higher than non-SBDC clients and sales growth rates that are four-times higher than those not receiving SBDC assistance. In fact, in 2007, SBDC clients created 73,377 jobs and saved 93,449 jobs. By retaining jobs, the SBDC provides a staggering cost-benefit, as it saves on unemployment costs, which are a heavy burden on many states. Most critically, this program provides these results in a cost-effective manner – for every Federal dollar spent, $2.86 is returned to the Treasury in the form of increased tax dollars.

Office of Veterans Business Development

More than 1.6 million service members have deployed in Operation Iraqi Freedom and Operation Enduring Freedom. And, upon return, 18 percent of veterans are unemployed one to three years later. Of those who are employed, 25 percent earn less than $21,840. Returning veterans have sacrificed on our behalf and deserve the Federal government's assistance in returning to civilian life, and particularly in finding gainful employment.

For Fiscal Year 2009, Congress appropriated $1.2 million for the SBA's Office of Veterans Business Development (OVBD). While this was a welcome increase from past years, the OVBD continues to require higher funding in order to meet the mounting needs of returning veterans and to fulfill its new statutory duties from P.L. 110-186. The new law, signed by the President in February of last year, calls on OVBD to increase outreach to veterans and increase the number of veteran business outreach centers nationwide. Congress has voiced its support for increased veteran business outreach centers through two recent actions: P.L. 110-186 called for bolstering the number of veteran business outreach centers nationwide by adding two centers in 2008 and two more in 2009, and the Omnibus Appropriations Act of 2009 ceased funding for The National Veterans Business Development Corporation (TVC) and called for the OVBD to fund three existing veteran business resource centers (VBRCs) for which TVC had previously been responsible.

Additional funding is required to comply with the laws and Congressional mandates outlined above, to further bolster the OVBD, and to build upon the veteran business outreach center network. The Committee advocates an approach that would provide regional veteran business outreach centers that serve multiple states and work closely with already established SBA resource partners to provide business counseling and assistance to veteran and reservist entrepreneurs. In order to meet the needs of our veterans, we request funding for OVBD at $3 million in Fiscal Year 2010.

Women's Business Centers Program

For 20 years the Women's Business Center (WBC) program has successfully provided business counseling and assistance to women with an emphasis on those who are socially and economically disadvantaged. With the economic turmoil, this program, too, is seeing an increase in demand from entrepreneurs hoping to establish a small business, as well as requests from small business owners hoping for assistance as they attempt to survive through economic uncertainty. In addition, two years ago, the Renewal Grant Program (P.L. 110-28) was enacted, which allows successful, established centers to remain in the program. In order to fund the present 113 centers at the full amount of $150,000, and allow the creation of five new centers at full funding, the program requires $17.7 million in funding. Much of the country is still not served by this program, as Arkansas, Idaho, Kentucky, Montana, Wyoming, Washington, DC, Guam, Northern Marianas Islands and the US Virgin Islands remain without centers.

SCORE

By utilizing a cadre of over 11,000 experienced volunteers, SCORE provides expert training to hundreds of thousands of entrepreneurs and small business owners each year at a very low cost to the taxpayer. However, the program is struggling due to years of flat funding under the last Administration. For the past eight years, the program has received $5 million or less in funding. Due to inflation, the purchasing power of that funding has declined by almost $600,000, while costs have continued to rise. Despite funding constraints, services still grew by roughly 30 percent, including 13 percent last year. However, a lack of funding is beginning to impact service, as projects such as redesigning the website and improving the on-line client interface, which include online workshops and counseling registration, are put on hold. In order to bolster this service, and allow volunteers to continue to effectively serve entrepreneurs in a cost efficient manner, we request $10 million for FY 2010.

United States Export Assistance Centers

According to the Commerce Department, each additional $1 billion in exports generates 14,000 U.S. jobs, and these jobs pay 18 percent more than non-trade-related jobs. Therefore, the $2.1 billion in exports that the SBA United States Export Assistance Center (USEAC) staff facilitated in FY 2006 generated about 30,000 new high-paying American jobs in that one year. The program continues to have fewer finance specialists at the USEAC hubs today than in 2000 (17 today versus 22 in 2000), and large swaths of the country - including the 10th largest exporting state, Louisiana - continue to be underserved. This directly harms our economy small businesses seeking to export goods and services. In order to return the program to the 2001 funding level, and begin meeting the demand for this program, we request a funding level of $8 million.

Native American Outreach

We respectfully request that the FY 2010 Budget Resolution provide $1.1 million for the Native American Outreach program. This is the only SBA program tailored to meet the needs of the Native American community. According to a report released by the U.S. Census Bureau in February of 2006, the "three year average poverty rate for American Indians and Alaska Natives [from 1998-2000] was 25.9 percent higher than for any other race groups." With unemployment as high as 50 percent and poverty rates well above the national average, Native American communities need a commitment from the federal government that we will help them build sustainable economic opportunities.

Office of Advocacy

The Office of Advocacy is an important office within the SBA that serves as the independent, "regulatory watchdog" for small businesses, ensuring that Federal agencies adhere to their requirements under the Regulatory Flexibility Act, as amended by the Small Business Regulatory Enforcement Fairness Act. Advocacy also produces economic studies on issues of key concern to entrepreneurs. These studies provide critical information to policy makers and small business stakeholders. In order to preserve the Office's independence, and allow them to update many of their key studies, the Committee recommends that the Office receive $2.5 million in a separate line item.

Small Business Energy Programs

Through efforts to increase energy efficiency, small businesses can contribute to America's energy security, while also strengthening their competitive advantage. With 26 million small businesses in the U.S. comprising 99.7 percent of all domestic employer firms and producing approximately half of all the commercial and industrial energy in the U.S., the role small businesses can play in forging a solution to rising energy prices is undeniable. The Energy Independence and Security Act of 2007 (P. L. 110-140) included several small business provisions that have yet to be fully implemented at the SBA, and require adequate funding. In order to provide the SBA with the resources it requires to begin implementation of these energy programs, we respectfully request $5 million for the Small Business Energy Efficiency Program, Small Business Telecommuting Program, and the Renewable Fuel Capital Investment Company Program.

Office of Size Standards

The Committee recognizes that current and accurate small business size standards are critical in ensuring that SBA and government-wide programs, including contracting and lending programs, reach all eligible small businesses in our economy. Further, the Committee recommends that $3 million be provided to the Office of Size Standards for the purpose of improving its capacity to update size standards in a transparent and timely manner to reflect industry and economic shifts.

Contracting: 7(j) Technical Assistance and HUBZones Programs

Finally, we need a budget that is sufficient to help small businesses learn how to do business with the federal government. The obstacles to doing business with the federal government are particularly great for minorities, women, the impoverished, and veterans. These groups tend to be first generation entrepreneurs with limited start up capital and business expertise. The 7(j) Technical Assistance Program provides essential training and business counseling to small disadvantaged businesses. We are requesting a funding level of $10 million for FY 2010 for the 7(j) Technical Assistance Program. We are also requesting $10 million for the HUBZone program. This program will help our nation's economic recovery – especially our country's most impoverished regions. Unfortunately, due to the recent lack of effective oversight, the program has suffered from incidents of fraud, similar to that which occurred in other SBA programs years ago. The Committee is supportive of a stronger, more transparent, and effective HUBZone program that helps ensure that qualified small firms in rural and economically disadvantaged areas of our country have equal access to federal contracting programs. This funding is necessary to support the many small businesses that are situated in high unemployment regions and lack the necessary support to grow and develop.

There is also a great need to improve oversight of federal contracts with respect to small business participation. The SBA is primarily responsible for reviewing more than $400 billion in federal contracts awarded annually throughout the United States. One way the SBA currently takes on this task is with the efforts of a few dozen full-time procurement center representatives (PCRs) and commercial marketing representative (CMRs). These vital reviewers are underfunded, making it virtually impossible to be effective in advocating on behalf of small businesses with respect to prime and sub-contracting opportunities. We are requesting a total of $10 million to hire approximately 100 additional PCRs. We are also requesting an additional $5 million dollars for approximately 50 additional CMRs. These PCRs and CMRs are to be assigned to major procurement centers and shall be responsible for creating contracting opportunities for small and local firms, as well as reviewing potentially bundled federal contracts.

We know you have difficult decisions to make as you develop the Budget Resolution for FY 2010, and we appreciate your consideration of our request for $880 million for the SBA. This request will support SBA's core small business programs and provide sufficient funding for salaries and expenses to enable the Agency to carry out its mission. Again, we thank you for the opportunity to comment on the FY 2010 budget request as it affects programs within our Committee's jurisdiction, and thank you for your steady and long-standing support of small business assistance.

Sincerely,

Mary L. Landrieu
Chair

Olympia J. Snowe
Ranking Member

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

March 16, 2009

Kent Conrad, Chairman
Judd Gregg, Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg,

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the Undersigned Members of the Committee on Veterans' Affairs (Undersigned Members) hereby report to the Committee on the Budget their views and estimates on the Fiscal Year 2010 (FY10) Budget for Function 700 (Veterans' Benefits and Services) and for Function 500 (Education, Training, Employment, and Social Services) programs within the jurisdiction of the Committee on Veterans' Affairs (Committee). This letter responds to the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction from the perspective of the Undersigned Members.

At the outset, we note that we have not received the full budget, which is normally used by this Committee – and all Committees – to inform our Views and Estimates. Given this reality, we are severely limited in our ability to provide detailed information on any account.

The outline of the President's proposed FY10 Budget includes $55.9 billion in discretionary budget authority for the Department of Veterans Affairs (VA), an increase of $5.6 billion from fiscal year 2009 (FY09). The Committee received only this total number, which includes billions in medical collections revenue, including funds potentially obtained by enactment of a legislative proposal. By way of comparison, The Independent Budget formulated by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars of the United States, and endorsed by 62 other organizations, recommends $54.6 billion for FY10, which includes projected revenues.

The President's budget request for VA mandatory budget authority is $56.9 billion, which is $9.7 billion over the FY09 level.

The following are several areas we highlight:

Increased Veteran Enrollment. VA will likely face increased enrollment in the wake of an anticipated drawdown of American forces in Iraq. Through the 4th quarter of fiscal year 2008, 400,304 separated Operation Enduring Freedom/Operation Iraqi Freedom veterans have utilized VA health care. Also, the Administration proposes that VA open health care eligibility to an additional 550,000 Priority 8 veterans by 2013, with nearly half of these newly eligible veterans predicted to enroll during the next fiscal year. This challenge is compounded by the declining economy, which may cause a staggering and unprecedented number of eligible veterans to enroll in, and rely on, VA for health care. As such, we recommend continued monitoring of any potential imbalance between the resources VA has to operate with and the demand for medical care.

Advance Appropriations. We are concerned that the current process of appropriating funds on an annual basis to fund the upcoming fiscal year will – because of Congress's record of passing funding bills late – continue to hamper VA's ability to manage its health care operation in a rational manner. During 19 of the past 22 fiscal years, VA has not received its appropriation by the start of the new fiscal year, with funding sometimes coming as late as February. VA must be able to plan for a coming fiscal year so that it may hire the personnel it needs and meet necessary maintenance expenses in a responsible way. Of course, VA managers should be held accountable when they fail to do so, but the first step is to give them an understanding of what they will have to work with well before a fiscal year begins. Accordingly, we ask you to ensure that there is no language in the Budget Resolution that would impose a point of order on the consideration of an advance appropriation for VA health care.

Outyear Budget. The outline of the President's proposed FY10 budget contains estimates for fiscal years 2011 through 2014 and suggests there will be less than 3% discretionary spending increases in each of those years. However, estimates of recent medical care inflation rates applicable to VA range from 2.6% to about 5%. Given the needs of the system, and inflation, we have concerns about the accuracy of the proposed discretionary outyear spending increases. We urge the Budget Committee to seek information showing how these estimates are aligned with actual program usage and stated policy objectives before carrying them forward in the Budget Resolution.

Proposed Legislation. We understand that embedded within the FY10 budget will be a proposal to bill insurers for care provided to veterans for injuries and diseases incurred or aggravated during their military service. We oppose any such effort, as it is the responsibility of VA to cover the cost of this care. Furthermore, we are concerned about potential unintended consequences this policy might have on the ability of veterans to remain insured.

Timely and Accurate Claims. The Undersigned Members remain concerned that timely and accurate claims adjudication continues to be a problem. Sufficient funds must continue to be made available for staffing, training, and technology enhancements, and VA managers must be held accountable for performance with the resources provided.

Post-9/11 GI Bill. Full implementation of the Post-9/11 GI Bill on August 1, 2009, must be achieved. The President's Budget states that it "facilitates timely implementation" of the new program. We will continue to monitor and evaluate the situation as we move forward.

Mandatory Spending. Veterans' entitlement programs, such as disability compensation and pension, are rarely adjusted by Congress because of PAYGO rules that require offsets in spending in other veterans' benefits programs. This rule makes it difficult to adjust several benefit programs, which require periodic adjustments in order to combat the erosion of the value of those benefits over time due to inflation. We recognize that the PAYGO rule's primary purpose is to prevent the Federal budget deficit from growing. Therefore, the Undersigned Members recommend that sufficient funds be included to provide *reasonable* increases for burial benefits and automobile grants. In addition, we recommend that the COLA round-down be eliminated. Of course, we will make every effort to identify offsets necessary to pay for these reasonable increases *if* that can be done without harming the integrity of other veterans' benefits programs and the beneficiaries who rely on them.

The attached Appendix includes information on our various priorities and demonstrates the need for additional resources in certain areas.

Sincerely,

Daniel K. Akaka
Chairman

Richard Burr
Ranking Member

John D. Rockefeller IV

Arlen Specter

Patty Murray

Johnny Isakson

Bernard Sanders

Roger F. Wicker

Senate Committee on Veterans' Affairs Views and Estimates

March 16, 2009

Sherrod Brown

Jim Webb

Jon Tester

Mark Begich

Roland W. Burris

Roland Burris

Appendix

This Appendix includes information on various recommendations on veterans' programs.

DISCRETIONARY ACCOUNT SPENDING

MEDICAL CARE

Advance Appropriations

VA has faced significant challenges over the years as a result of politics hindering the regular appropriations process. While this may be a reasonable setback for some programs, it is not the case when the program in question is health care for veterans, many of whom depend heavily or exclusively on VA to fulfill their obligation to care for them, and the quality or availability of that health care. During 19 of the past 22 fiscal years, VA has not received its appropriation by the start of the new fiscal year, with funding sometimes coming as late as February. VA must be able to plan ahead so that it may hire the personnel it needs and meet necessary maintenance expenses in a responsible way. Additionally, having advance knowledge of future funding will improve VA's ability to plan strategically and to ensure programs are executed seamlessly, thereby increasing efficiency and reducing waste of taxpayer dollars, as well as preventing any gaps in services received by veterans.

In order to address this issue, many Members, including several on the Committee on Veterans' Affairs, are supporting S. 423 the Veterans Health Care Budget Reform and Transparency Act of 2009. This bill would allow Congress to appropriate money for certain Veterans Health Administration (VHA) accounts one year in advance of the normal appropriation process in order to provide timely, sufficient, predictable funding for veterans' health care. As the funding will still be done through the appropriations process, Congress will retain its traditional oversight capabilities. The use of an advance appropriation is not a unique arrangement. This approach is used to fund other programs, such as Housing and Urban Development (HUD) Section 8 Vouchers and Head Start. Accordingly, we ask you to ensure that there is no language in the Budget Resolution that would impose a point of order on the consideration of an advance appropriation for VA health care.

Current Services

Using past experience as a guide, medical care inflation (assuming an extremely conservative estimate of 2.6%), increases in the costs of goods, and other uncontrollables may dictate an increase in obligations in FY10 simply to maintain the level of current services. Increased intensity (which encompasses changes in medical care delivery to adjust for more complex care) and utilization of medical services by existing patients also continues to drive costs up as well. Because we do not know whether the outline of the President's proposed FY10 Budget accurately reflects inflation rates and needs for services beyond FY10, we do not comment on the adequacy of any budgetary projections beyond FY10. We urge the Budget Committee to seek information showing how the President's estimates are aligned with actual program usage and stated policy objectives before carrying them forward in the Budget Resolution.

Increased Workload

VA Secretary Shinseki testified before the Committee on March 10, 2009, that the FY10 budget is sufficient to treat 5.5 million veteran patients, an expected 2.1% increase over the FY09 projections. The outline of the President's proposed FY10 Budget indicates an intention to expand eligibility for VA health care to veterans without service-connected disabilities earning modest incomes. VA expects that this expansion will bring more than 266,000 eligible veterans into VA in FY10.

The increased workload resulting from a net increase in patients using the system – including the 266,000 middle-income veterans – will certainly require additional resources. In the absence of more specific data, however, we do not comment on what that resource level may be.

Mental Health

VA estimates that, of the 5.2 million veteran users of the health care system, 30% have a mental health disorder. Through August 2008, it is estimated that 76,000 enrolled OEF/OIF veterans have a probable diagnosis of post-traumatic stress disorder (PTSD), 60,000 have a diagnosis of depression, and nearly 13,000 have been diagnosed with an alcohol dependence syndrome. According to the Congressional Research Service, VA estimates it will spend $319 million for PTSD treatment and $15.5 million for suicide prevention treatment in FY09, with aggregate expenditures for mental health services totaling $3.9 billion. Funding for mental health services in FY10 must continue at least at this level to maintain current services and allow VA to meet legislative requirements in the area of mental health, such as offering health care during evening hours at least one day a week.

The Readjustment Counseling Service (RCS) continues to help veterans and their families with psychosocial readjustment issues. The RCS provides services such as bereavement, marriage, and family counseling services to family members. These services are provided at 232 Vet Centers, expanding to 271 by the end of FY09. In addition, VA put its first mobile Vet Center into service in October 2008. VA plans to deploy 50 of these centers, each with space for confidential counseling and outreach workers. Without a full budget, we do not know whether this program is sufficiently funded but we do support adequate funding to continue providing needed mental health services through this program.

Homeless Veterans

Outreach to homeless veterans continues to be a priority, especially in light of estimates that at least 45% of homeless veterans suffer from mental illness and more than 50% have substance abuse problems. The Homeless Veterans Reintegration Program (HVRP) – funded through the Department of Labor – provides grants to agencies that help veterans find homes and jobs. HVRP is currently authorized for $50 million but has not had appropriations commensurate with its authorization. We recommend increasing funding to its authorized level.

When homeless veterans seek employment, they have a need for decent transitional housing and for programs to address the special needs of specific subsets of the homeless population, including women veterans, elderly veterans, veterans with chronic mental illness, and those homeless veterans who are terminally ill. We recommend full funding for VA's Homeless Provider Grant and Per Diem program. In addition we are pleased to see that the President's budget contains funding for a program authorized in Public Law 110-387 enabling VA to make grants to non-profit organizations that provide supportive services for veterans at risk of homelessness. It is our hope that taking a proactive, holistic approach to solving this problem will prevent the cycle of homelessness from ever beginning in the first place.

Caregivers

We believe that families often play a critical role in the treatment and recovery of injured or disabled veterans. It has been shown that involving family members of injured veterans in medical care greatly enhances the probability and speed of recovery. When a veteran cannot independently complete some of the tasks of daily living, but does not require institutionalized care, these family members can provide the necessary care in the comfort of their own home.

In the course of providing the necessary care to a disabled veteran, family members often find it difficult to maintain fulltime employment, due to the time-intensive nature of providing the care. As a result, they lose the income necessary to sustain their household, private health insurance, and other critical benefits.

VA is currently unable to provide the appropriate training and support services for family members caring for disabled veterans, although it is essential to ensuring that the veteran is receiving adequate home care. Considering that the average cost of caring for a veteran in a long-term care institution is over five times that of caring for a veteran through VA's home based primary care program, this approach is short-sighted.

We expect to pursue authorizing legislation to establish a caregiver program within VA. This program would authorize VA to provide training and supportive services to family members and loved ones who wish to care for the disabled veteran in the home. These supportive services would include training and certification, a living stipend, and health care -- including mental health counseling, transportation benefits, and respite. The Committee is currently waiting on a Congressional Budget Office score on this proposal, but the potential exists for additional costs associated with a new caregiver program.

Rural Veterans

For FY09, VA will spend $250 million outside of its medical services account for dedicated rural health and outreach. This same amount, adjusted for inflation, is the minimum required for existing services, assuming no new veterans enter the system. We believe additional resources are required, but cannot determine, without access to greater details than provided in the outline of the President's proposed FY10 Budget, whether the budget currently includes adequate resources to expand VA's rural health effort. We recommend funding to build more mobile clinics, offer telehealth services at more of VA's remote clinics, and research the best way to provide health care through this technology.

Female Veterans

As of October 2008, the population of women veterans numbered over 1.8 million – 7.6% of the total veteran population. By 2010, women are expected to represent over 14% of the total veteran population. As the number of women who access VA increases, we are concerned that there may be insufficient attention to ensure uniform access to gender-specific services across the VA health care system. The complex needs of today's women veterans, particularly those who served during Operations Enduring and Iraqi Freedom (OEF/OIF), require that VA assess the effectiveness of its existing gender-specific programs and initiate new ones that strategically address the many needs of this cohort in a way that is inviting, compassionate, and demonstrates a driven yield toward the best outcomes.

Women veterans of childbearing age make up approximately 41% of the women veteran population. While VA may, under current law, provide care related to a pregnancy, there is no authority to cover medical expenses for newborn care. This can create an unnecessary barrier for women veterans receiving obstetric services from VA through fee basis because VA is unable to address the expenses for the newborn post delivery when contracting with the delivering hospital on all other aspects of the care. We intend to advance legislation to provide 7 days of newborn medical care for women veterans giving birth. The cost of this new authority is estimated to be $2.5 million for the coming fiscal year.

Veterans with Special Needs: Prosthetics and Sensory Aids

Many veterans suffer amputations, whether from combat injuries, as is now happening for OEF/OIF servicemembers, or because of medical conditions such as diabetes. Within the last 18 months, veterans with amputations accounted for nearly 1.5 million outpatient visits. Prosthetics, in VA, includes many services and devices in addition to artificial limbs. In fact, wheelchairs and access services cost VA more than artificial legs.

The demand for prosthetic-related services has increased dramatically. Since 2000, the total number of veterans requiring prosthetics, sensory aids, and associated types of health care services has increased by more than 70%. VA's FY08 expenditures exceeded the projected budget of $1.42 billion by $42.6 million. VA has historically underestimated the cost associated with providing prosthetic and sensory aids to veterans. Therefore, we anticipate that the President's Budget may include only the minimum necessary to support this program and therefore, recommend that additional funding be included in the Budget Resolution.

Dental Services

Dental care represents a growing need among returning veterans. Poor dentition can interfere with the proper treatment for cancer and cause severe infections in diabetics and other immunocompromised veterans. Dental care is available to service-connected members, to newly discharged veterans, and to veterans with other health care conditions negatively impacted by dental problems. While VA has 755 community based outpatient clinics, there are only 207 dental treatment sites. VA has underfunded dental care in the past, obligating $485 million for FY09 when more was spent on that during the previous year ($580 million). We recommend funding VA dental services at a level which will allow VA to provide eligible veterans with timely and quality dental care during FY10.

Quality and Performance Initiatives

VA's National Surgical Quality Improvement Program ensures that VA can identify facilities with increased rates of death or complications following surgery and respond appropriately. This is regarded as a very effective program, and has been adopted by other professional organizations and health care systems. According to VA officials, VA was expected to allocate $1.34 million to this program. However, it has already obligated more than that. Improvements are needed to ensure that this system continues to report problems accurately and fairly, by hiring additional statistical support and other services. As it has already obligated more funds than previously expected, we recommend an appropriate level of funding to keep this important quality assurance program fully effective.

MEDICAL SUPPORT AND COMPLIANCE

Protecting Human Subjects

VA's Office of Research Oversight (ORO) is responsible for overseeing VA research. Recently, ORO has been given the responsibility of educating research compliance officers. Research compliance officers are employees in VA medical centers who monitor ongoing research projects to ensure that the rights of veterans are protected when they participate in research. We anticipate this educational effort will cost an additional $750,000. As of December 31, 2008, VA has authorized a research compliance officer for every VA medical center conducting research.

Without the full detail included in the budget, we do not know whether projected funding will be adequate for the needs of ORO. We recommend ensuring that the Budget Resolution include robust funding for this office so that those veterans participating in research will be protected to the greatest extent possible.

MEDICAL AND PROSTHETIC RESEARCH

VA reports that VA researchers co-authored 65,779 articles in peer-reviewed scientific journals from January 1, 2001, through November 7, 2008, a body of work representing significant advances in the diagnosis and treatment of many debilitating conditions. VA research must continue to focus on conditions like post-traumatic stress disorder, Traumatic Brain Injury, and Persian Gulf War Illness that disproportionately affect veterans. So that VA researchers may continue this work, we recommend an additional increase for VA research in FY10.

In addition to improving care for veterans, funding research also directly benefits recruitment and retention of VA health care providers. Over three quarters of VA's researchers provide direct patient care in VA. Supporting their research efforts helps VA retain good quality providers to care for veterans.

While VA does considerable research in prosthetics, the amount of research dollars specifically devoted to this arena is presently unclear. Prosthetics is an important area and we recommend increasing funding so as to expand research initiatives to ensure veterans with amputations enjoy the best quality of life possible. As such, we suggest that the Office of Research and Development include in its budget submission a designated research area or other category indicating how much of VA's research budget is devoted to prosthetic research.

MEDICAL FACILITIES

Non-Recurring Maintenance

The Medical Facilities account includes funding for maintenance and operation of all VA facilities including funding needed for non-recurring maintenance. VA received $1 billion in the American Recovery and Reinvestment Act for non-recurring maintenance, which helps meet the existing backlog in this area. As these funds are expected to address outstanding projects, we recommend that this program continue to be funded in an amount at least equivalent to the President's Budget.

CONSTRUCTION

Major, Minor, Grants for State Extended Care Facilities, and State Veterans Cemeteries

VA currently has an extensive backlog in construction, including $1.787 billion needed for major construction projects that have already begun and have been partially funded. In addition, VA has approximately $6.5 billion of major medical facility construction projects in its 5-year capital plan. We believe that sufficient funding should be provided on a set schedule over the next several years to address both the partially funded projects and the projects in VA's 5-year capital plan. The scheduled funding should be done in a manner that will result in all of these projects being completed on time. The funding should be provided commensurate with the stage of construction the project is in. It is likely that in order to meet such a schedule that VA's major construction account will need funding in FY10 that, at the very least, equals the $1.069 billion provided for FY09.

In addition to the needed funding for construction, we support a substantial investment in facilities for VA research. VA will need $142 million in designated funding for necessary renovation of existing research space and build-out costs for leased researched facilities.

As VA continues to provide more institutional long-term care in State Veterans Homes, we will evaluate the impact of decreasing state revenues (or substantial state budget deficits) on the future ability of states to provide matching funds for the construction, rehabilitation, and repair of facilities.

We recommend that the State Cemetery Grants Program be funded at a level that funds all pending applications for state cemetery construction, expansion, and improvement that are ready for funding in FY10.

Without access to greater details than provided in the outline of the President's proposed FY10 Budget, we cannot accurately assess whether the President's budget will meet the needs of State Veterans Cemeteries and State Extended Care facilities.

VETERANS BENEFITS

Disability Claims Processing

VA must take aggressive action to improve the claims adjudication process. During recent years, Congress has provided increased staffing to the Veterans Benefits Administration (VBA) to process disability claims. We will continue to monitor current staffing levels at VBA to ensure that it has adequate staffing resources to adjudicate claims in a timely and accurate manner. In addition, we will look to the President's budget for details on ongoing training initiatives. We will also look to the Administration to show how it is holding managers and employees accountable for performance with the substantial resources already provided.

Any effort to reduce the backlog of disability claims must use information technology to alleviate the burden on veterans seeking benefits through the use of web-based technologies. VA has developed a Paperless Delivery of Veterans Benefits Initiative, which would allow veterans to apply quickly for benefits online, reduce the adjudication time within VA, and eliminate a major potential for personal information security violations. Without access to more details than provided in the outline of the President's proposed FY10 Budget, we cannot accurately assess whether sufficient funding to accelerate the development of this initiative has been provided. We recommend that the Budget Resolution expressly include support to expand the use of information technology to improve the timeliness and accuracy of claims adjudication.

Vocational Rehabilitation and Employment

Without specific details on the staffing request for Vocational Rehabilitation and Employment (VR&E) it is difficult to evaluate the adequacy of the outline of the President's proposed FY10 Budget request. However, we do believe that staffing levels must be closely monitored for the program.

The effect of the enactment of the Post-9/11 GI Bill on the enrollment of veterans in the chapter 31 program is not yet known. However, we believe that the staffing levels for this important function have been eroded over the years and that increases in staffing levels are justified despite the uncertainty that exists at this time. This is especially true since the impact of service in Iraq and Afghanistan continues to result in an increase in the number of more seriously injured veterans who will likely qualify for the VR&E program.

In addition, we anticipate enactment of legislation to make improvements in the current VR&E program and specifically to increase the amount of the subsistence allowance. With the enactment of the Post-9/11 GI Bill, veterans who are eligible to participate in both programs may select to enroll in the new GI Bill in order to receive a greater subsistence or living allowance – even though they could benefit more by receiving the additional counseling, training and job placement assistance available through the VR&E program.

We recommend that the Budget Resolution include sufficient funding for adequate staffing to ensure that the program remains an attractive and effective one for severely disabled veterans.

Education

The enactment of the Post-9/11 GI Bill, last Congress, presents a challenge to VA to implement in a timely and seamless manner.

The outline of the President's proposed FY10 Budget request provides no detail on VA's plan to implement the program successfully on August 1, 2009, and its short- and long-term strategies for benefits delivery. However, VA's progress in this important area is being closely monitored and, should the need for additional resources become apparent, appropriate recommendations will be made.

We recommend that additional resources, which were referenced, but not detailed, in the outline of the President's proposed FY10 Budget be included in the Budget Resolution, together with a commitment to provide any needed additional funding to support the workload associated with anticipated increases in the number of education claims, as well as the need to maintain the timeliness and accuracy of very complex education claims processing.

DEPARTMENT OF LABOR, VETERANS' EMPLOYMENT AND TRAINING SERVICE

The outline of the President's proposed FY10 Budget includes the statement that the budget will honor "the commitment to returning servicemembers by supporting training and placement services to ease their transition to employment." We believe that this is a valid and worthwhile goal. To this end, we believe that the Department of Labor's Veterans' Employment and Training Service (VETS) should receive appropriate funding for its Recovery & Employment Assistance Lifelines (REALifelines) initiative which provides injured servicemembers and veterans with one-on-one employment assistance to help them transition into the civilian labor force. We recommend that this program should be positioned to meet the very pressing needs of those returning from combat with serious injuries.

We further believe that adequate amounts in Grants to States funding should be available to provide additional services and assistance to targeted groups of veterans, including the spouses of deployed servicemembers. The groups targeted should include recently separated veterans, veterans with service-connected disabilities, and homeless veterans. We further recommend that the Budget Resolution include funding that would support an appropriate number of Disabled Veterans' Outreach Program Specialists and Local Veterans' Employment Representatives.

Finally, we recommend that the Budget Resolution include Federal Administration funds in an amount sufficient to permit VETS to conduct a professional training conference for VETS employees. VETS has not been able to convene such a meeting since 2004. We believe that this meeting would be an opportunity to improve operational performance within the agency.

COURT OF APPEALS FOR VETERANS CLAIMS

The budget estimate for the U.S. Court of Appeals for Veterans Claims (Court) shows a need of $27.1 million for FY10. This budget estimate includes increased staffing for 12 positions. This represents the personnel for the two additional judicial chambers authorized by Congress effective December 31, 2009. We support the Court's request.

The Veterans Consortium Pro Bono Program estimates a need of $1.82 million, an increase of $120,000 over the FY09 request. The estimate for the program is included in the Court's $27.1 million dollar estimate. The need for the consortium, which provides free legal representation to veterans, has increased in the past few years, as more veterans seek judicial review.

MANDATORY ACCOUNT SPENDING

We support the budget request of $56.9 million, an increase of $9.7 billion, for entitlement programs over the FY09 level. However, there are several areas within this account that require funding beyond what the President has requested. We will make every effort to identify offsets necessary to pay for these reasonable increases if that can be done without harming the integrity of other veterans' benefits programs and the beneficiaries who rely on them.

Cost-of-Living Adjustment

Under current law, the COLA applied to veterans' disability compensation and survivors' Dependency and Indemnity Compensation (DIC) is rounded down to the next lowest whole dollar. VA compensation is sometimes the sole source of income for a veteran and his or her family. Over time, the effect of a COLA round-down can be substantial. We owe it to our Nation's veterans to provide them with appropriate compensation, the value of which does not decrease with inflation. Although the legal authority for an automatic COLA round-down is set to expire in 2013, we recommend that funding be provided to end the COLA round-down ahead of schedule.

Burial Benefits

The Federal government has provided varying forms of burial benefits since the Civil War. We are concerned that the continued erosion of the value of benefits has resulted in a burial benefit which covers just a small fraction of what was covered in 1973 when VA first provided monetary burial benefits for our veterans.

We recommend that funding be provided to bring the value of this benefit to a reasonable level. Specifically, we recommend that the Budget Resolution include funding that would support reasonable increases in the plot allowance, service-connected burial benefit, and non-service connected burial benefit.

Automobile Grants

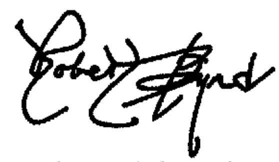
VA provides certain severely disabled veterans and servicemembers grants for the purchase of automobiles. This grant also provides for adaptive equipment necessary for safe operation of those vehicles. When this grant was first established in 1946, it covered approximately 85% of the average cost of a new automobile. Over time, Congress adjusted the amount provided to a level equal to 80% of the cost of a new automobile. However, lack of further adjustments to this grant have gradually eroded the benefit so that today, the current allowance of $11,000 represents less than 40% of the average cost of an automobile. We recommend that the Budget Resolution include sufficient funding so as to support adequate funding in FY10 to provide a reasonable increase to the automobile grant.

Mandatory and Receipt Proposals

The outline of the President's proposed FY10 Budget proposes two changes to the mandatory account: implementation of the Administration's concurrent receipt policy and use of discretionary funds for contract examinations for disability compensation eligibility. We cannot comment on these two proposals without a complete budget and additional details regarding the implementation and possible effects of these initiatives.

10. ADDITIONAL AND MINORITY VIEWS

Mr. Chairman,



I thank you and your staff for your hard work on this year's budget resolution. It is an arduous and frustrating task, trying to reconcile so many conflicting viewpoints. Your efforts certainly warrant praise.

I am sorry, however, that the discretionary spending level is less than the President's request. For eight years, the previous Administration did not invest in America. There have been consequences for this lack of investment. I look forward to working with you on this matter as the resolution moves forward.

With regard to reconciliation, I believe you made the right decision to forgo reconciliation instructions in this budget. I am one of the authors of the reconciliation process. Its purpose is to adjust revenue and spending levels between two budget resolutions in order to reduce deficits. It was not designed to cut taxes. It was not designed to create new programs, and certainly not to restructure the entire health care system. When substantive legislation was attached to reconciliation vehicles in the 1980s, the Byrd Rule was created to stop those abuses. This was done with the support of the then-Republican Majority and then-Democratic Minority, in order to preserve the deliberative nature of this institution. When the Senate used reconciliation in the 1990s, and in 2001 and 2003, in order to pass massive tax cuts increasing deficits by trillions of dollars, it opened a Pandora's box that now threatens to stifle debate on critical health, climate, and education issues.

I hope to impress upon Senators the essential nature of debate in the Senate. It's an opportunity to probe the strengths and weaknesses of every bill that comes before this body. We know from long experience that when major national policy is enacted without the full understanding of the American people, it is difficult to sustain support for that policy in the long-term. Putting health reform and climate legislation on a freight train through Congress is an abdication of the Constitutional role of the Senate.

If there are rules today that frustrate Senators, I hope they will take the time to understand that those rules exist for a reason. They protect every Senator, regardless of whether they are in the Majority or Minority Party, because even a Democrat in the Majority today may have a viewpoint in the Minority tomorrow.

I understand the White House and Congressional Leadership want to enact their legislative agenda. I support a lot of that agenda, but I hope it will not require using this process. Again, I commend you, Mr. Chairman, for excluding reconciliation instructions and look forward to working with you to ensure those instructions are not included in conference.

Bill Nelson

Budget Resolution View
Senator Bill Nelson
March 27, 2009

First of all, I commend the Chairman for putting together a budget resolution that is so reflective of important national priorities while still recognizing our sobering fiscal uncertainty and growing debt. This was truly a difficult task.

The President chose rightly to focus on three priorities—health care, education and energy—and this Mark fully supports those initiatives. But it also takes steps to reduce our deficit so that the next generation isn't stuck with unsustainable debts.

I am heartened that the budget reflects the priority of expanding health care coverage to all in a fiscally responsible manner. Constraining costs and expanding access are two sides of the same coin. If we fail to constrain health care cost growth, health insurance will be unaffordable in the near future for many if not most. I believe that this budget is an important step in achieving comprehensive reform on both fronts.

It also reflects a continued investment in clean energy. We laid the groundwork in the recovery act and the 2007 energy bill. Now is the time to deliver and focus on bringing new sources of renewable energy on line, modernizing our electric power grid, promoting energy efficiency, and reducing our dependence on foreign oil.

This budget also increases college access and affordability, which is particularly vital during this time of financial difficulty for so many families.

But of course these are not the only important initiatives in this Mark that will help our nation rebound from economic crisis and invest in the future.

I am pleased that it includes the President's proposals to finally get serious about closing corporate tax loopholes, curtailing tax evasion and the abuse of offshore tax havens, and reducing the tax gap. The overall tax gap – the difference between the amount of tax owed and the amount collected – is estimated to be $345 billion a year, according to the IRS. Over ten years, that is $3.4 trillion. The tax gap attributable just to offshore abuses may be as high as $100 billion a year, or $1 trillion over ten years. If we are going to get serious about reducing the deficit, we need to get serious about cleaning up our tax code, ending abuses, and ensuring that honest, law-abiding taxpayers are not left holding the bag.

The President's budget begins this process by improving our international tax enforcement effort. Although we have not yet seen the details, the President has indicated that he anticipates raising $210 billion over the next ten years through this effort. The President's budget would also raise $30 billion by eliminating tax preferences for the oil and gas industry. I look forward to working with my colleagues in the Finance Committee, including Senator Conrad, as we work to ensure that the tax code treats everyone fairly and does not reward abusive tax schemes and tax cheats at the expense of middle class working Americans.

I'd also like to thank the Chairman for including a provision in the Mark that would facilitate the repeal of an unjust offset that denies widows and orphans the annuity their deceased loved ones earned on active duty or purchased for them. Under current law, there is a dollar-for-dollar reduction of benefit payments between the Department of Defense Survivor Benefit Plan (SBP) annuity and the benefit payments under the Department of Veterans Affairs Dependency and Indemnity Compensation (DIC) program.

For eight years I have fought to repeal this law in order to take care of the widows and orphans of our servicemembers and veterans. In February, the President said in his address to Congress that "to keep our sacred trust with those who serve, we will raise their pay, and give our veterans the expanded health care and benefits they have earned." When the Chairman included in the Mark a deficit-neutral reserve fund to eliminate the SBP-DIC offset, our nation moved one step closer to providing our veterans with the benefits they have purchased or earned. In the Armed Services Committee, I will continue the fight to right this wrong.

And finally I want to talk about necessary funding for NASA. Our space program has made innumerable contributions to our country's scientific and technological advancement and helped drive our high tech economy and inspire generations of students. I am pleased that President Obama recognizes the importance of our space program and is working to reduce our impending gap in human spaceflight capability and our reliance on Russian spacecraft. However it is also important to note that NASA may need additional time to safely fly the remaining Space Shuttle missions and complete the International Space Station. Congress and the Administration need to be prepared to provide additional funding in fiscal year 2011 so that this work can be completed without the sort of undue schedule pressure that could lead to another accident. I thank the Chairman and the Committee for working with me to recognize how integral these resources will be for U.S. innovation and scientific progress.

There are no two ways about it—we simply *must* reform entitlements, eliminate wasteful spending, and take a wholesale look at revising the tax code. Otherwise, our children and grandchildren will inexcusably be left with unsustainable deficits. This budget makes sound investments in our nation's future while taking necessary steps in fiscal responsibility.

Senator Debbie Stabenow
Budget Committee
Views for the Committee Print
Friday, March 27, 2009

I strongly supported and voted in favor of the Budget Resolution passed by the Budget Committee on March 26, 2009. It sets a course to address the most important priorities in our nation: health care reform, a strong energy policy, improved opportunities for public education, and reducing the deficit. I commend Chairman Conrad for his leadership in shaping sound budget policy to move our nation in the right direction.

However, the committee-passed Budget Resolution includes provisions suggesting targeted savings in agriculture, including the President's proposals for a reduction in the Market Access Program (MAP) and savings in the Environmental Quality Incentives Program (EQIP). While I recognize that our committee faced tough fiscal decisions, I do not believe Congress should open up debate on the widely supported and fully paid for Farm Bill. Furthermore, MAP and EQIP are important programs in Michigan and I oppose any cuts in their funding.

I would like to highlight these two programs, demonstrate their importance, and explain why they received such widespread support in the 2008 Farm Bill. The Market Access Program (MAP) helps American farmers who grow a diverse array of crops including apples, cherries, potatoes, and wheat, to market their products abroad. This program aids in the creation, expansion, and maintenance of foreign markets for U.S. agricultural products. During this challenging economic time, we should be encouraging exports and expanding markets abroad. Since this program was created in 1985, U.S. agricultural exports have increased by nearly 300 percent, according to USDA. In fact, every billion dollars in U.S. agricultural exports supports nearly 12,000 American jobs. We cannot afford to spare jobs at this critical moment in our economy, especially with the sobering news that we recently reached 12 percent unemployment in Michigan.

In addition, savings from agriculture should not come from conservation programs that help farmers, ranchers and private forest owners across the nation improve water quality, protect soil quality, provide habitat for wildlife, mitigate greenhouse gas emissions from agricultural activities and reduce the impacts of climate change. This is precisely what the EQIP program does. Since the program's inception in 1997, USDA has enrolled more than 51.5 million acres and obligated nearly $1.08 billion to help producers advance stewardship on working agricultural land. I share the views of the President and the Chairman that we should be finding ways to combat climate change by limiting greenhouse gas emissions, and the EQIP program is one of the most effective and proven programs out there to reach this goal.

As the budget is debated by Congress, I believe we should maintain the fully paid for programs in the Farm Bill. I will continue to oppose any effort to cut MAP, EQUIP or any other program that benefits Michigan and our nation.

Robert Menendez

Senator Robert Menendez

Statement for the Record on International Affairs Budget 3/26/09

Mr. Chairman:

I would like to speak for a moment about the International Affairs "Function 150" Account.

The President's FY 2010 International Affairs Budget requested $51.7 billion for this account. However, the Congressional Budget Office's re-estimate is $53.8 billion. The Chairman's Mark is currently $49.8 billion, which is a $4 billion decrease from the President's request.

Comparing the request to the 2009 enacted bridge funding shows a year-over-year increase of $11.5 billion for the President's request. This is a more transparent budgeting process and the President should be commended for this effort and Congress should recognize this step by providing funding for programs that are "predictable and recurring" in the *base budget* instead of delaying funding decisions to a supplemental bill.

It is important that we fully support the President's first request for the International Affairs Budget. By voting against the President's request in his first year of office, it shows a lack of support for his agenda and a lack of support for our international engagement.

Last year, 73 senators, including 24 Republicans, voted for an amendment to restore the International Affairs Budget to the level requested by the President. This was the most significant shift in spending priorities agreed on by the Senate during last year's debate on the budget resolution.

The entire International Affairs Budget is a mere 1.4% of the total FY 2010 Budget and represents only 6.8% of the 'national security budget', which includes defense and homeland security. Even at this level of spending, the International Affairs Budget represents only 0.35% of GDP.

The International Affairs Budget funds all State Department operations, foreign assistance and foreign policy programs. This includes all U.S. diplomatic programs, global health initiatives on HIV/AIDS, malaria and tuberculosis, and humanitarian assistance programs to help stabilize fragile states, reduce global poverty and assist refugees.

Cutting the international affairs account means we risk scaling back on our pledge to increase civilian capacity and the Foreign Service, which are critical deficiencies that civilian and military leaders desperately require. We also risk potentially freezing the rosters of programs that provide life saving treatment for people with HIV/AIDS or undercutting efforts to prevent infection in the first place. Lastly, we are reducing vital foreign assistance increases to programs in Pakistan and Afghanistan.

I believe this budget is an essential component of our national security. Defense Secretary Gates has said: *"what is clear to me is that there is a need for a dramatic increase in spending on the civilian instruments of national security – diplomacy, strategic communications, foreign assistance, civic action, and economic reconstruction and development."* Also, as Secretary of State Hillary Clinton stated in her confirmation hearing, *"the relatively small but important amount of money we do spend on foreign aid is in the best interests of the American people"* and *"promotes our national security and advances our interests and reflects our values."*

It is also important mentioning that the 2006 National Security Strategy, the Quadrennial Defense Review, and the 9/11 Commission all support increased investment in America's diplomatic and development capabilities to achieve our nation's foreign policy objectives.

I strongly urge support for this budget as it is a vital instrument of our national security in a complex and dangerous world. It is a relatively small investment in development and diplomacy but it is a smart investment – and in the best interests of our national security.

Thank you, Mr. Chairman.

Judd Gregg

MINORITY VIEWS OF RANKING REPUBLICAN MEMBER SENATOR JUDD GREGG

I recommend that the Senate reject this 2010 budget resolution reported by the Democratic majority of the Senate Budget Committee because it spends too much ($225 billion more than current law), taxes too much (at least $361 billion), and borrows too much -- $1.1 trillion more than the huge amount we are already expecting to borrow under current law. As a result, it passes on to our children a government that they cannot afford.

It does nothing about the economic danger posed by unaffordable entitlement programs and does next to nothing to save any money in any mandatory programs (saves $175 million in farm programs out of $10 trillion in total mandatory spending, for a savings of 0.002 percent).

The budget grows the size of the non-defense, discretionary part of government in 2010 by about 9 percent (for a cumulative increase, compared to 2008, of 20 percent).

And it promises much more spending than that ($1.3 trillion over five years) through 27 reserve funds that will work only if they raise taxes by a corresponding amount to pay for that spending increase.

Of all the budgets I have participated in, this is by far the most significant. The President has used his budget request to define very clearly where he wants to take the country. He has shown us that his plan for the country is to significantly move the government to the left, make it much more expansive and intrusive than it is today, much more costly and much more of a burden of debt.

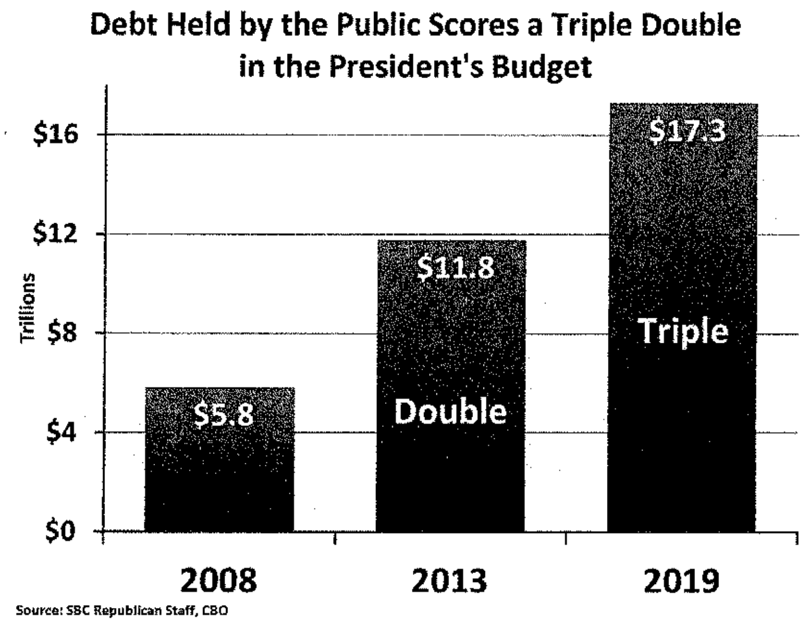
First, put in perspective what this President has inherited. He has had a difficult hand dealt to him, I don't argue with that. I've repeatedly said we are not holding him in any way responsible for the situation he confronts today or his aggressive use of the resources of the government to address the current situation. The government is the last source of liquidity, and he and the Congress have used it, along with the Federal Reserve, to try to stabilize the economic situation. I have participated in those efforts, and I respect that.

<u>"The Debt is the Threat"</u>

How many times have we heard the Chairman of the Senate Budget Committee say this? It has never been more true than it is now.

Yet this budget does nothing to address the debt in a serious way. Rather, as you move beyond the immediate period of this recession – and this country will come out of this recession because we are an inherently resilient nation – into the third or fourth year on out to the ten-year mark in the President's budget, it's apparent that the expansion of the government undertaken during this recession will not be drawn back. That supposedly temporary expansion is being used as an excuse to permanently expand the government in a way that threatens the fiscal stability of this nation.

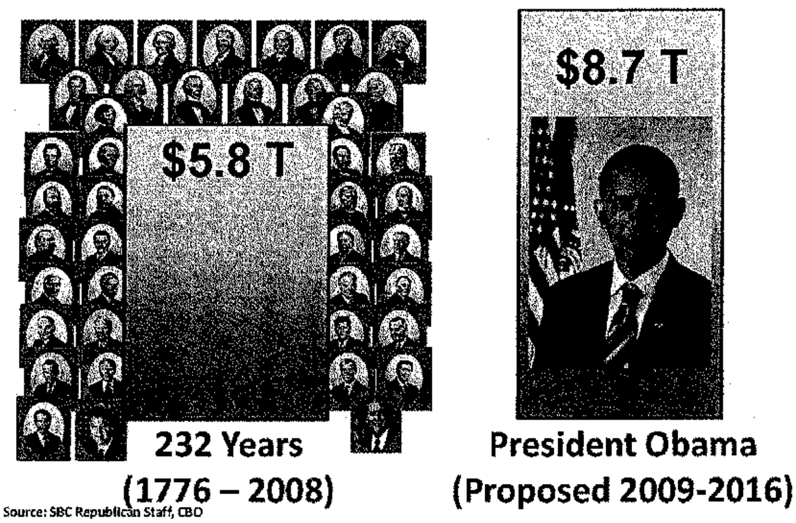
The reported budget resolution represents only a negligible departure from where the President has proposed to take us. The President's OMB Director, Dr. Peter Orszag, has said that the Senate's budget is 98 percent the same as the President's budget. What does the President's budget do to the debt? In five years, President Obama doubles the debt. In ten years, the President triples the debt.



Chairman Conrad has argued that, "President Bush doubled foreign-held debt in his eight years in office." That's true, but President Bush didn't then take it to the level that this President is taking it. If you take all the debt accumulated under all previous presidents, starting with George Washington and ending with George W. Bush, President Obama is proposing to double that. Those are staggering numbers.

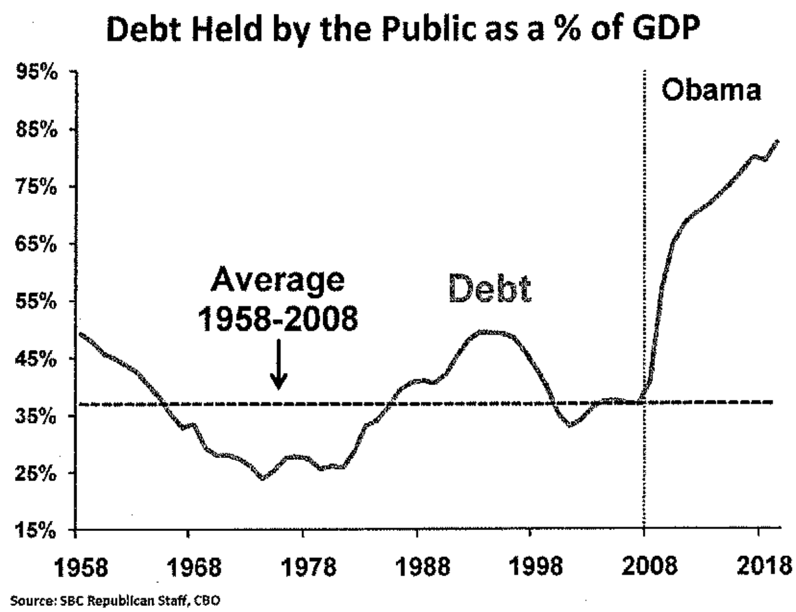
President Obama Would More Than Double the Federal Debt to $14.5 Trillion

It Took 43 Presidents 232 Years to Build Up $5.8 Trillion in Publicly-Held Federal Debt



Source: SBC Republican Staff, CBO

This massive expansion in debt raises questions about our ability as a nation to pay for this debt burden. The chart below demonstrates how, under the President's budget, the debt keeps going up unsustainable levels as a percent of Gross Domestic Product (GDP).



Most economists will tell you that an economy can handle between 30 and 40 percent of debt as a percentage of GDP. But a nation's economy starts to get into trouble when that ratio gets up around 60 percent of GDP. When it gets up to 80 percent of GDP, basically an economy can't handle that for very long. But what is being proposed in the President's budget is to move the public debt up to 80 percent of GDP and keep it there.

Shifting Standard of Fiscal Discipline

Why does the debt stay so high under the President's budget? Because, even after the recession is expected to be over, the President continues to run deficits of 4.3 percent of GDP in 2014 up to 5.7 percent of GDP in 2019. Chairman Conrad has seized on a new standard of fiscal discipline, arguing that, "many economists consider a deficit equal to 3 percent of the economy to be sustainable" and claims his budget would achieve that goal by the last year – 2014.

Only two and a half years ago (August 2006), Chairman Conrad publicly scoffed at the suggestion of well-respected economists that the U.S. economy could tolerate and sustain annual deficits amounting to 2 percent of GDP:

> ...what [two percent of GDP] leaves out is that the additions to the debt are more than four percent of GDP. And I think almost any economist would tell you that's an unsustainable level, especially in light of the fact the baby boom generation is about to retire...
>
> I think it is completely and totally irresponsible [to suggest that deficits of 2 percent of GDP are sustainable]. I think it misleads the American people as to the true status of the fiscal condition of the country. We're in a very unusual situation where the amount of the deficit is a fraction of the increasing debt of the country, and that the debt is going to be what has to be repaid. And what's being lost in all of this is this incredible disconnect between the size of our deficits and the increase in our debt.... That is a completely unsustainable course... There is a huge difference between [deficits today and deficits of 2 percent of GDP] in the past, because you didn't have this incredible disconnect in the past between the size of the deficit and the growth of the debt [and] we did not in the past face the imminent retirement of the baby boom generation. So I will tell you, I thought it was one of the most irresponsible statements ... I have seen in a long time.

The costs of the Baby Boom generation have only drawn closer over the past two and a half years since Chairman Conrad made this statement. The only conclusion one can draw from his statement is that both his reported budget resolution and the President's budget are irresponsible budgets since they both far exceed the **lower** deficit (2 percent) and debt to GDP ratios that Chairman Conrad has long argued **were already unsustainable** for the economy.

<u>So Why Are the Deficits and Debt in These Budgets So High?</u>

Simply, it's because of all the spending that is involved. In the President's budget, the spending is so aggressive that it adds $1 trillion dollars to the debt, on average, every year for the next ten years. He produces deficits totaling $9.2 trillion dollars over this period, taking spending from 20 percent of GDP up to 25 percent of GDP, with the practical effect that the government grows at a rate that the revenues can't keep up with, and thus the debt explodes.

This reported budget resolution claims it makes hard choices to spend less than the President. On the mandatory side, there is little evidence of hard choices, since spending would remain on the same unsustainable course as under current law.

On the discretionary side, the reported resolution moves in the right direction by reducing the President's request for non-defense activities in 2010 from a 12 percent increase over 2009 to a 9 percent increase, but it is only a token baby step.

The Administration spills barrels of ink claiming how disciplined its budget is in non-defense discretionary spending after 2010. The reported resolution also claims to be disciplined, but only after one more year of a huge increase. The claims of "low growth in the out-years" are not worth the paper they are printed on.

When I offered an amendment during the committee markup to lock in (with discretionary spending limits) just the first two years (2011 and 2012) of the discretionary levels – which the Chairman claims are "proof" of his fiscal discipline – the Chairman argued against my amendment, and the majority voted it down. The Chairman said he didn't need limits because he promised "we would be right here" over the next two years to write the discretionary levels for 2011 and 2012. You can be sure that when "next year" gets here, the level provided in the next two budget resolutions for 2011 and 2012 won't be as disciplined as this reported resolution claims they will be.

Compounding the spending problem in this budget is the tax problem. The President is proposing the largest tax increase in history, much of it aimed a taxing small business people who have been over the years the best job creators in our economy. The budget also proposes a massive new national sales tax on your electric bill, so that every time you turn on a light switch you will be hit with a tax that averages more than $3,000 per American household. The reported resolution includes mechanisms that would smooth the parliamentary path for enactment of some of these tax increases. But even the tax increases cannot keep pace with the higher rate of spending increases, so the debt piles up.

Misuse of Reconciliation

As senators, we should all be affronted by what is happening in this year's budget process on reconciliation. The reported resolution doesn't even have reconciliation instructions in it, but we know where the reconciliation instructions are. They're over in the House budget. The House doesn't need reconciliation; it has the Rules Committee. So the only reason reconciliation instructions are in the House budget is so they can be forced through the Senate in a conference report.

That's a terrible thing to do to the tradition and the status of the Senate. We're essentially letting the House of Representatives write the rules for the U.S. Senate for how to consider such a significant piece of legislation that would essentially redesign the entire healthcare system in our country. This goes to the institutional significance of what the Senate is. The role of the Senate is to be the place where things are debated, discussed, amended and voted on. And especially on an issue like healthcare, it's unfathomable that we would allow the House to take charge of our rules and direct us in this way.

Senator Byrd often reminds us about the history of reconciliation and what its purposes are. Reconciliation was never conceived to be used to rewrite the entire health care delivery system of the United States. Reconciliation allows only 20 hours of debate, essentially without any amendments and allowing only one up or down vote on the whole question. We should not undertake a public policy initiative of this size in this type of a scenario because it reduces the Senate's role in the Constitutional process.

Missed Opportunity – Ignoring the Entitlement Crisis

With the Baby Boomers having already begun to retire, our nation is on the cusp of a huge demographic shift. The over-65 population is estimated to double before 2050, and as the number of Americans over 65 rises, there will be an increasing burden on working class families. The ratio of the number of workers available to support each retiree will continue to decline from 5.1 to 1 in 1960, to 3.3 to 1 today, to just over 2 to 1 in 2035.

Congress has had warnings in recent years about our impending fiscal crisis which have been ignored. In each of the last three years, the Medicare Trustees have notified Congress that within seven years more than 45 percent of Medicare outlays will be paid for by the general fund. This event has now triggered two Medicare Funding Warnings mandating a Presidential submission to Congress of a legislative proposal to address the problem. A year ago, President Bush submitted a proposal that the majority failed to bring to a vote. This year, the Administration has yet to submit a proposal as required by law. If this warning is not enough, the Trustees also have told us that in 2019 the Medicare Trust Fund will be exhausted.

Our fiscal problems are not limited to health care programs. In 2017, the Social Security system will begin to pay more in benefits than it takes in each year in payroll taxes. This will put incredible pressure on other federal programs. At the current growth rates, Medicare, Medicaid and Social Security alone could exceed 20 percent of GDP by 2040 crowding out all other federal spending on things like roads, defense, infrastructure and the environment.

Taken together, the unfunded obligations of the federal government exceed $67 trillion. In other words, the federal government has promised pensions, health care and other benefits equal to $67 trillion more than has been set aside to pay those obligations. To put this in perspective, if we wanted to put aside enough today to cover the Medicare, Medicaid and Social Security promises alone, it would take $218,000 for each and every American, or just over $603,000 per American household.

President Obama's budget included some effort to restrain Medicare and Medicaid growth, but unfortunately his budget then spent these savings on new mandatory spending. This reported budget resolution includes no savings in any of these mandatory programs.

Health Care Reform Reserve Fund

The cost of health care in this country is spiraling out of control – our nation now spends nearly 17 percent of its GDP on health care, yet an estimated 45 million Americans are left without health insurance. This is significantly more than every other country in the world. For example, in 2006, the United States spent more than 15 percent of GDP on health care, while the next highest health-care-spending country, Switzerland, spent 11 percent.

Especially in this challenging economic climate, many Americans face a crisis when it comes to making sure their families are covered or can receive care. Republicans agree that all Americans should have access to quality insurance they can afford and that we must put in place measures to help drive innovation and reduce costs to make the system more efficient and reduce spending. Despite broad agreement that Congress must act to address the rate of growth in health care spending and the growing number of the uninsured, there is little consensus on whether further increases in health care spending are needed in order to achieve reforms.

The Administration proposed major increases in mandatory spending and included a "down payment" of $606 billion in a health reform reserve fund in its budget blueprint. This down payment would be funded through reductions in Medicare and Medicaid spending and by increases in taxes. If this down payment is only half of the eventual cost of health care reform over the next 10 years, then without additional mandatory savings, the federal government is likely to add at least $1 trillion in new mandatory spending paid for almost entirely by tax increases.

The reported resolution includes a deficit-neutral reserve fund. The reserve fund would allow the Finance Committee to report health reform legislation that increases spending while paying for it with tax increases.

Unfortunately, unlike all of the other deficit-neutral reserve funds in the resolution, the health reform reserve fund must only be deficit neutral over 11 years, not the standard 6 and 11 years applied under the current law PAYGO test. Waiving the six year PAYGO test is a troubling sign of the level of commitment by the Majority to reform the health care system in a fiscally responsible and sustainable manner.

<u>Summary</u>

I believe that you run a sound and affordable government **not** by running up the national debt to unsustainable levels while overtaxing working Americans and spending as if there is no tomorrow, but rather by working to limit the growth of government in a manner that is affordable not only today but for the next generation through limiting spending and addressing core issues like the cost of entitlements.

Our nation has an extraordinary history of one generation passing on to the next generation a more prosperous and stronger country, but that tradition is being put at risk. The dramatic move to the left and the massive increase in the size and cost of the government proposed by the budget of President Obama will lead to a national debt that not only threatens the value of the dollar and puts at risk our ability to borrow money to run the government, but will also place our children at a huge disadvantage as they inherit this debt, which will make their chances of success less than those given to us by our parents. It is not right for one generation to do that to another generation.

I believe that if you properly steward the responsibilities of the government, if you do not spend too much, tax too much and borrow too much, then we can leave our children a better nation where they will have even greater opportunities for prosperity, peace and freedom.