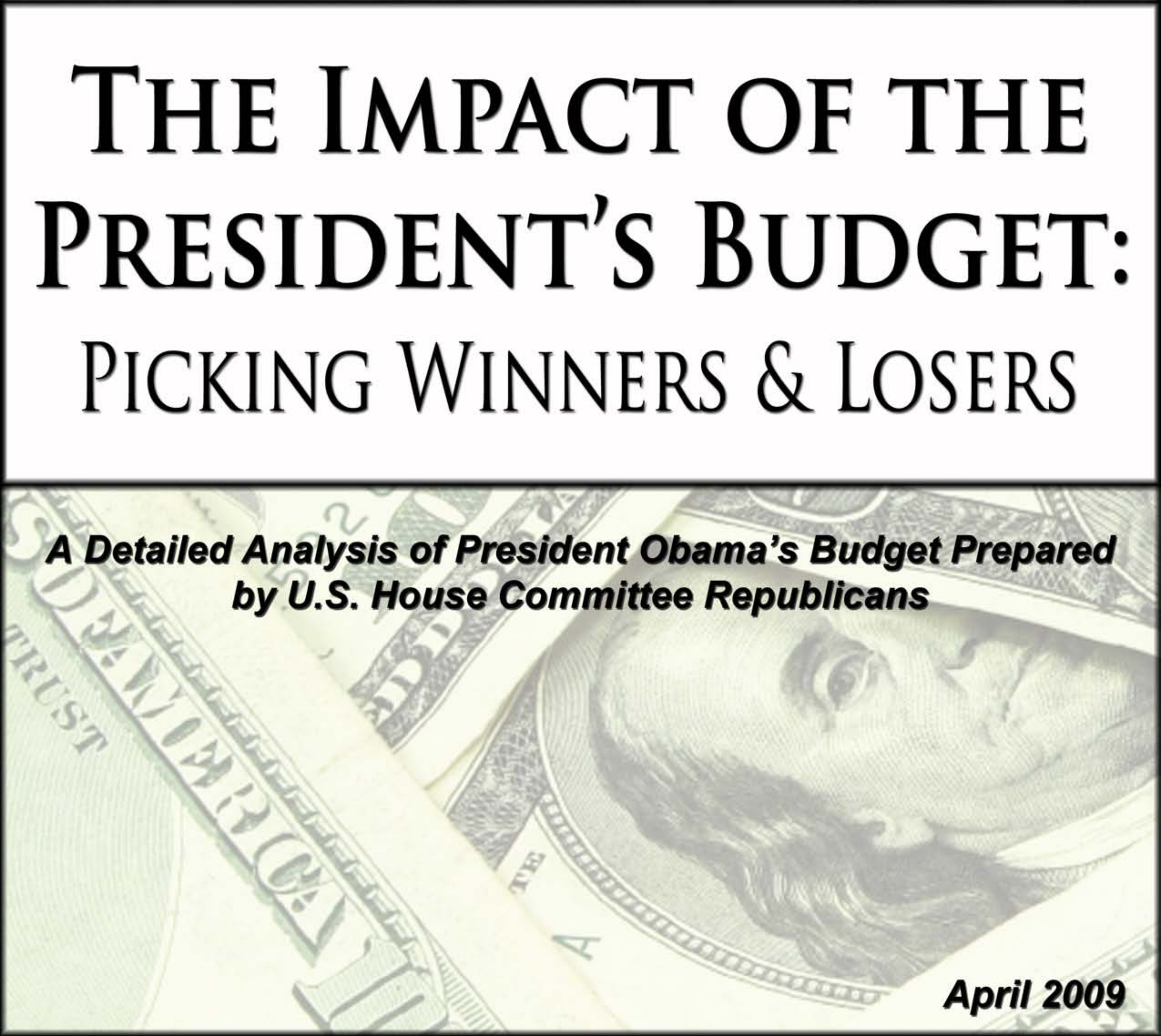
THE IMPACT OF THE PRESIDENT'S BUDGET:

PICKING WINNERS & LOSERS



A Detailed Analysis of President Obama's Budget Prepared by U.S. House Committee Republicans

April 2009

The Impact of the President's Budget: Picking Winners and Losers

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Prepared by the Republican Staffs of the House Education & Labor Committee, Science & Technology Committee, and the Oversight & Government Reform Committee

Winners:

<u>Labor union bosses that will receive funding under the nationalization of school construction</u>. The President's agenda allows funding included in the $53.6 billion State Fiscal Stabilization Fund to be used for new school construction programs, subject to the requirements of the Depression-era Davis-Bacon Act. The Davis-Bacon Act requires construction projects to be paid using flawed "prevailing wages" and favors union wage workers, pushing out small businesses and inflates the costs of building.

<u>Labor union bosses that will receive funding under green job programs</u>. The President's agenda makes labor unions the recipients of $500 million to prepare workers for careers in the energy efficiency and renewable energy fields. The Green Jobs program limits the role of the existing private sector-led workforce investment system, expands the role of labor unions such as the Service Employees International Union (SEIU) which has been accused of fraud and favoritism, and limits the fields that may be considered high growth by not including nuclear or clean coal to liquid technology fields.

<u>Illegal immigrants who are eligible for the proposed nurse family partnership program.</u> The President's agenda includes a new $8 billion nurse visitation program for any family currently residing in the country, including illegal immigrants.

<u>The education establishment, including public teacher union leaders, that will receive more than $70 billion to continue their unproven education practices.</u> The President's agenda includes more than $70 billion in new education funding for programs run by the education establishment without any common-sense requirements that the money be spent on reforming public education.

Losers:

<u>Low-income students in the District of Columbia.</u> The President's agenda eliminates funding for the $14 million DC Opportunity Scholarship program, which provides more than 1,700 low-income students in the D.C. with scholarships so that they may attend a participating nonpublic elementary or secondary school in the District of Columbia.

<u>Private sector workers who work in the student loan industry and students attending schools participating in the private sector program.</u> The President's agenda eliminates funding for the Federal Family Education Loan (FFEL) Program, which has been in existence for more than four decades and provides important college opportunities to 6.2 million students attending over 4,400 institutions each year.

<u>Public elementary and secondary schools that could receive funding for reading assistance.</u> The President's agenda eliminates funding for the Reading First program, which focuses on implementing proven methods of early reading instruction in classrooms.

Charter schools across the nation that have unmet facilities needs. The President's agenda eliminates funding for the $37 million charter school facilities program, which provides grants to public-private partnerships that address the cost of acquiring, constructing, and renovating facilities of the nation's charter schools.

School districts across the nation that offer character education programs. The President's agenda slashes funding for character education programs by 50 percent, from $24 million to $12 million.

Students enrolled in private elementary and secondary schools. The President's agenda prohibits states and school districts from using the funds that they receive under the $53.6 billion State Fiscal Stabilization Fund to provide academic services to the more than five million students that attend private schools.

Parents who will not be able to choose their child care provider under the President's "Zero to Five" proposal. The President's agenda includes the creation of a new state-run early childhood education program. Under this proposed new $10 billion program, states – not parents – will determine what entities qualify for preschool funding and there is a concern that private child care and preschool providers may be edged out of the program in favor of public programs.

D.C. School Choice: Although there are numerous areas with oversight potential, one egregious mistake in President Obama's budget has to do with the D.C. Opportunity Scholarship Program.

The D.C. Opportunity Scholarship Program has been an unqualified success, yet now, as Obama's children enjoy the opportunities which accompany having the financial means to attend Sidwell Friends—a school which participates in the voucher program and is one of the most prestigious academic institutions in D.C.—the President himself wishes to Apparently, Obama intends to replace opportunity and education with "Hope," and makes clear by this action that he believes true educational opportunity in this country should be a luxury

An education at Sidwell Friends costs nearly $30,000 per year. While that probably seems expensive to the average American, as it should, what most people don't realize is that a public education in Washington, D.C. costs about $27,000 per student, for which the federal taxpayer picks up part of the tab. By comparison, the D.C. Opportunity Scholarship program's average scholarship has been only $6,300 per year. This means that for less than a quarter of the cost of a public education, the 1,716 students currently enrolled in the program get a premium education, while saving taxpayers an inordinate amount of money in the process.

Citing the absence of a current bill as justification for not authorizing the D.C. Opportunity Scholarship Program is outrageous. The Department of Education will be making its standardized assessments of this program this spring, which will likely demonstrate the true effectiveness of the program. However, the Democrats wish to pull the plug before the results of these assessments are released. It's probably because it would demonstrate in a statistical fashion their true hypocrisy on education.

<u>**Outsourcing American Jobs**</u>

Highly skilled American jobs and taxpayer dollars will be outsourced to Russia with the retirement of the Space Shuttle. NASA is on a path to retire the Space Shuttle in 2010 without having developed, in a timely manner, the next generation of Constellation launch systems. The Democratic budget increases discretionary non-defense spending by 13 percent overall, yet does nothing to accelerate development of Constellation or extend the Shuttle.

- Without additional funding, Constellation cannot be ready before 2015, at the earliest.
- During this five year gap, America will make cash payments to Russia to provide transportation for our astronauts and our partners to the International Space Station.
- During this workforce transition, the U.S. stands to lose thousands of skilled aerospace jobs that will be difficult and costly to replace.
    - Figures released by NASA predict the retirement of the shuttle will result in the <u>loss of up to 10,000 jobs industry-wide</u>.

Accelerating development of the Constellation system would keep American tax dollars working here at home and have a multiplier effect throughout the economy by stimulating high-tech manufacturing and networks of suppliers around the country. This would expand our economic output and help our industries remain competitive in the global marketplace.

WINNERS: Russian workers and manufacturers
LOSERS: American workers and manufacturers

<u>***Impact on Energy Consumers and the Environment***</u>

Prepared by the Republican Staffs of the House Energy & Commerce Committee and the Science & Technology Committee

<u>**Energy**</u>

Climate Revenues

- The President's cap-and-trade plan will increase taxes, raise energy costs for consumers, and kill American jobs.
- Studies show that in per-household terms, a family of four can expect to pay as much as $3100 in additional taxes in 2015.
- With a cap-and-trade scheme, the cost of home heating oil and natural gas would nearly double, electricity costs would increase by 73 percent, and gasoline prices would spike by 60 percent.

Department of Energy

- The President's DOE budget allocations effectively halt development of the planned Yucca Mountain repository. This could halt the development of much-needed new nuclear plants.

- Electricity customers have paid almost $30 billion to fund a repository, and yet the Administration refuses to move forward with its development.
- The federal government is in breach of agreements to take nuclear waste from civilian generating facilities – the taxpayers' liability increases $500 million for every year the opening of a permanent repository is delayed.

Environment

- The Safe Drinking Water Act (SDWA) contains a state revolving loan fund (DWSRF) program to help public water systems finance projects needed to comply with federal drinking water regulations. Congress wished the DWSRF to be self-sustaining yet, after enacting a $2 billion jolt into the DWSRF in February 2009 and another $829 million for the DWSRF later that same month—in addition to $145 million in earmarked water projects—the Obama Administration has proposed $1.5 billion for the DWSRF.
- While the Obama Administration waxes poetic about the need for companies to do the right thing by the environment, their actions punishes every good deed. The Obama budget calls for $1 billion in new taxes against chemical and oil companies to help cleanup up hazardous waste sites regardless of whether these companies have contributed an ounce of pollution. This is more egregious when you consider that, historically, 70 percent of cleanups are paid for or performed each year by parties held responsible for the contamination and the other 30 percent get government money because the owners are dead or the companies bankrupt. Ultimately, the latest Obama tax will guarantee more government waste, make our standard of living more expensive while driving jobs overseas, and increase the percent of folks who will need Federal money because they no longer have their own.

Imposes Energy Tax Hikes

The 'cap-and-trade' proposal would increase taxes by at least another $646 billion on families' natural gas, electricity, home heating, and gasoline bills. This tax will erode job growth in the U.S. manufacturing sector and put American companies at a disadvantage with countries like China and India.

At a recent Committee hearing, Energy Secretary Dr. Steven Chu laid out the fundamentals of how cap and trade will work:

- **Costs will be passed on to consumers**
- **U.S. will be at a disadvantage to other nations**
- **U.S. will need to use duties on imported goods to "level the playing field"**

Dr. Chu also acknowledged that the technologies to make carbon capture and sequestration possible are still *far from ready*.

- He estimated that it will take roughly a decade before carbon capture technologies can be proven.
- This means that **the Administration will be applying a cost to carbon, without the appropriate technologies available for American industry to minimize their emissions**.

WINNERS: Foreign competitors and government bureaucrats
LOSERS: American taxpayers, consumers, and businesses

<u>Delays Clean Energy Progress</u>

An all of the above strategy in regard to energy security must include the expansion of domestic nuclear power generation. In order to have a nuclear renaissance the issue of nuclear waste storage and reprocessing needs action, not delay. Again the Democrats seek to transfer US dollars to other nations while eliminating the funding for the Yucca Mountain nuclear waste repository, leaving the US vulnerable to foreign nations for our energy needs.

- To date, the DOE nuclear waste program has spent approximately $11 billion. Now that the Administration is backing away from Yucca, much of this will be wasted funds.
- The Administration's position that Yucca is not an option jeopardizes not only new nuclear plant licenses, but operating nuclear plants and plant license renewals.

WINNERS: OPEC/Foreign energy producers
LOSERS: American taxpayers, consumers, and businesses

<u>Impact of the Budget on Veterans</u>

Prepared by the Republican Staff of the House Veterans' Affairs Committee

1. **The Administration's proposed FY2010 budget for veterans is a half billion dollars short.**

<u>Issue</u>: After a firestorm of opposition from veterans groups and Congress, the Administration has dropped its outrageous proposal to bill veterans' health insurance to pay for VA treatment of their combat injuries. However, without the revenue the proposal would have generated, the Administration's budget request for FY 2010 is a half billion dollars short. The Administration has not explained how the budget gap will be filled in order to avoid a cut in its requested level of veterans' discretionary funding, nearly all of which is for health care for veterans of all wars, wounded warrior programs, transition programs for servicemembers returning from Iraq and Afghanistan, and processing disability and education benefits claims. If the shortfall is not made up, veterans will suffer declines in the quality and timeliness of their health care, returning servicemembers will be shortchanged, and a large backlog of veterans' claims will fester.

<u>Winners and Losers</u>: The winners would be Washington politicians, special interests and bureaucrats who want to use that half billion dollars to fund other lower priority government programs. The losers would be the veterans who depend on the VA for the health care and benefits they earned with their military service.

2. **The Administration's future budgets would make deep cuts in veterans benefits.**

<u>Issue</u>: The administration's projected out-year discretionary funding needs for veterans for fiscal years 2011 - 2014 is so inadequate that it could result in serious declines in quality and timeliness for veterans health care and benefits claims processing. The *Independent Budget* veterans groups (VFW, DAV, PVA and AMVETS) have stated their concern "that the out year projections for VA funding do not seem to reflect sufficient budgets to serve the needs of veterans." Inflation in the cost of medical care, the planned restoration of health care eligibility for many priority eight veterans, the drawdown in Iraq, the needs of wounded warriors, the economic downturn and an aging veterans population could leave the Administration's five-year budget projection well over $10 billion short.

<u>Winners and Losers</u>: The winners would be big spending, big government Washington politicians who want to "lowball" the future funding levels actually necessary for high priority veterans' programs in order to disguise the enormous deficits that would be necessary to allow the new and expanded programs they want. The losers would be veterans who depend on the VA for the health care and benefits they earned with their military service.

<u>Impact of the Budget on Consumers and Health Care</u>

Prepared by the Republican Staff of the House Energy & Commerce Committee

<u>Consumer Protection</u>

- The President's request for Commerce increases funds for Census $1 billion more than President Bush anticipated for Census. In addition, given the agreement the Census bureau signed with ACORN to participate in hiring temporary census workers combined with the move have census report directly to the administration and ignoring bipartisan recommendations to adopt greater independence for the agency, it appears the Administration is using $1 billion taxpayer dollars in another political payoff for a campaign supporter.

<u>Telecommunications</u>

- Rather than double the tax on Americans' phone bills, we should be imposing competitive pressures on the Universal Service Fund, such as with reverse auctions or competitive bidding. The American Recovery and Reinvestment Act just allocated more than $7 billion for broadband. That's equal to the current, annual cost of the bloated Universal Service Fund. Yet some are advocating adding broadband to the universal service program, which is already fraught with waste, fraud, and abuse. Adding another $7 billion per year would have the effect of raising the universal service fee on consumers' long-distance bills from 11 percent to 22 percent. Instead, we should be looking for a way to eliminate subsidies.
- The American Recovery and Reinvestment Act authorizes the government to spend another $650 million on the digital television transition. This makes no sense. As of the end of February 2009, 96 percent of television households were prepared for the

transition, leaving 4.5 million homes that still need to take action. Outright buying each of these homes a $50 converter box would cost $225 million, one-third and $425 million less than what the ARRA allocates, giving you a sense of how much waste is involved.

<u>Health Care</u>

- Overall, the biggest problem with the President's Budget proposal is that it cuts billions out of the Medicare and Medicaid program, particularly Medicare Advantage, and imposes taxes on middle-income homeowners to create a "reserve fund" for health reform without any details about his plan for health reform and how the money would be used to achieve health reform.
- The President's Budget proposal establishes a $630 billion reserve fund to finance health care reform. Half of the funds that create this reserve funds are from $316 billion in cuts to Medicare and Medicaid, the largest part of those cuts are to the Medicare Advantage program. The remaining balance of the reserve fund is funded through increasing taxes on homeowners.
- There are no clear winners here. The President has not provided any details regarding how this money would be spent. What we do know is who are the "losers." Middle-income homeowners, Medicare beneficiaries, health care providers are all on the chopping block. And for what? Details to come on how this "down payment" on reform as the President calls it will actually help Americans have better access to health care.

<u>Impact of the Budget on the Armed Services</u>

Prepared by the Republican Staff of the House Armed Services Committee

The sworn duty of elected officials, the President and Members of Congress alike, is to protect and defend the Constitution of the United States. This budget fails that test. Fiscal restraint on defense in the midst of fiscal excess for all else reflects a fundamental misunderstanding of our constitutional responsibilities.

The United States is engaged in two wars vitally important to the Global War on Terror. While the administration does not like to acknowledge this reality, the President has in fact committed to continue to prosecute these important national engagements during the course of this budget resolution. Additionally, we face military challenges in a variety of other places, such as a bellicose Iran equipped with long range missiles and dangerously close to nuclear weapons; an increasingly aggressive China; and instability in the Horn of Africa, the Korean peninsula, and the western Pacific to name a few.

The administration begins the process of moving war costs into the base defense budget in fiscal year 2010. We already know the estimated fiscal year 2010 supplemental will be $11.4 billion less than the 2009 supplemental funding, with no foreseeable reduction in fiscal year 2010 operations. In fact, war costs will likely increase for both Afghanistan and Iraq, with Operation Enduring Freedom in Afghanistan gaining 17,000 more troops and facing extraordinary supply route challenges, and the sustained or increased costs in Iraq coming from the precipitous withdrawal of troops and valuable US military equipment proposed by the administration. With this budget, the Department of Defense starts the year at least $11.4 billion in the red.

Worse yet, no supplemental request is contemplated for 2011, when combat operations in Afghanistan will intensify. In short, the administration expects DOD to self fund $141.4 billion of critical wartime operations costs in just two years, or 26 percent of its budget. Rather than a four percent increase in defense, the administration's plan is really a 26 percent cut in the midst of two wars.

What are the consequences of such a reduction?

- The Army and Marine Corps will have to self fund their desperately needed end strength increases, at a cost of $6.8 billion annually. These 50,000 added active duty troops help relieve the stress on the force, already experiencing higher suicide and divorce rates. The administration wants to maintain these force levels, as it should, but doesn't want to pay for them.
- The budget only funds the routine, by law 2.9 percent increase in military pay, failing to include the .5 percent catch up that Congress should authorize. Cost is $400 million.
- The remainder of the more than $130 billion shortfall will have to be made up by painful weapons systems and other needed equipment cancellations. These are not trivial matters. Our superior weapons make our forces the best in the world and save lives. The administration has carefully not revealed its intentions. But we know this budget will not buy:
- The tactical aircraft we lack now, be they sorely needed modern F-22 and F-35 fighters, or the still effective legacy F-15, F-16, and F-18 fighters that we need for combat air operations and our depleted carrier air wings;
- The strategic lift that more C-17 aircraft will provide;
- The ships we need to persuade the evermore aggressive Chinese or Somali pirates that the United States will not be bullied on the high seas, be they Littoral Combat Ships or DDG-51s;
- The combat platforms our Army and Marine Corps needs, be they future systems or modernized current systems;
- The helicopters the National Guard needs for domestic emergency response.

In short, this budget will require the Department of Defense to retrench so drastically that it will be unable to meet its worldwide commitments. Peaceful engagements with other nations will be curtailed and alliances frayed; special operations reduced and intelligence lost; modern equipment will be frittered away; and troops and their families not adequately paid or supported. The finest military the world has ever known will begin to fade this year, and will be hollow by the 2012 elections.

The consequences of this budget have been carefully veiled so far, and they will be obscured when the budget details are announced by the increases in social programs and the ephemeral promise of greater efficiency in defense acquisition. Make no mistake; the Obama defense plan is dangerous.

Impact of the Budget on Taxes and Entitlements

Prepared by the Republican Staff of the House Ways & Means Committee

Raises taxes during an economic downturn: Proposes hundreds and hundreds of billions of dollars in new taxes at the worst possible time, while the economy is already weakened, unemployment is on the rise, and families are struggling to make ends meet. Even Christina Romer, the Chair of the President's Council of Economic Advisors, has argued that "tax increases are highly contractionary." The tax hikes included in this budget proposal will only prolong the recession.

Winners: Federal tax collectors and liberals in Washington who think they know how to spend your money better than you do.
Losers: The American economy and workers.

Raises taxes on energy: Admits to at least $646 billion (the true total is closer to $3 trillion) in new revenue from auctions of greenhouse gas emissions permits under a growth-choking, and likely ineffective "cap and tax" (i.e., "cap and trade") program. While experts across the spectrum state the unilateral "cap and tax" program envisioned by the Administration would have no measurable effect on global temperatures, it would impose enormous tax increases on the energy that fuels our cars, lights and heats our homes, powers our assembly lines, and ensures a stable, affordable food supply.

Winners: Radical environmentalists who think changing the temperature by less than one degree over the next 100 years is worth the destruction of millions of jobs.
Losers: Millions of Americans who lose jobs, and all Americans who face thousands of dollars in higher costs for almost all good and services.

Raises taxes on small businesses, the engines of job creation: Targets 3 million small businesses owners – the engines of job creation in our country – for unwarranted tax increases by raising marginal income tax rates. Small businesses employ about half of all private-sector workers and have created nearly 80 percent of the new jobs in the U.S. in recent years.

Winners: Again, federal tax collectors and liberals in Washington who think they know how to spend your money better than you do.
Losers: Small businesses, their workers and anyone hoping to find a new job.

Limits Tax Incentives for Charitable Giving: Limits the tax deductions to charitable organizations. This could reduce giving by $16 billion to philanthropic organizations, like the Red Cross, Habitat for Humanity and soup kitchens, when their services are needed most.

Winners: Federal tax collectors and liberals in Washington who think they know how to spend your money better than you do.
Losers: Those in need of food, clothing and shelter.

Increases dependence on foreign oil: Imposes punitive new taxes on domestic energy production, encouraging U.S. companies to move jobs overseas and increasing our overall dependence on foreign energy supplies.

Winners: Foreign oil producers, including countries that host and fund terrorist organizations.
Losers: Domestic oil and gas workers, those who want greater energy security, anyone who drives a vehicle.

Misses an opportunity to ensure Social Security's future: Proposes no significant steps towards putting Social Security on a path to financial stability.

Winners: Those looking to avoid the tough governing decisions to protect future retirees.
Losers: Workers and future beneficiaries because the changes necessary to obtain solvency will be more far-reaching the longer we wait.

Increases health care spending dramatically: Proposes a $634 billion "down payment" on health care "reform," with total expenditures expected to exceed $1 trillion. Per capita health care costs in the U.S. are already twice as high as those in Canada and two and one half times higher than those in the UK. Throwing in an additional $1 trillion is unlikely to improve care or make it more affordable for American families.

Winners: Those looking to have the federal government play a larger role in your health care decisions.
Losers: Anyone who likes their current health care plan and believes health care decisions should be made by patients and doctors, not federal bureaucrats.

Expands eligibility for various welfare programs: Raises "asset limits" for various means-tested benefit programs. This will have the effect of allowing individuals with more—tens of thousands, or even millions, of dollars in stocks and personal savings—to qualify for benefits intended for those most in need.

Winners: Would-be welfare recipients looking to live off your tax dollars instead of their own savings.
Losers: American taxpayers already struggling to make ends meet.

Erodes welfare work and training requirements: Under current law, States must ensure at least half of adults on welfare are in work or other productive activities. The budget directly undermines this work requirement, reducing the number of welfare recipients expected to work or train for their check.

Winners: Welfare recipients looking for a handout and not a hand up, and people who think that is the definition of compassion
Losers: Taxpayers already struggling to make ends meet, who will have to pay billions more for new welfare benefits. But also, many welfare recipients who really want and need education and training to break the cruel cycle of dependency. Under the budget,

more States will simply write welfare checks and ignore the help low-income parents really need to get ahead and stay off welfare.

Impact of the Budget on Transportation and Infrastructure

Prepared by the Republican Staff of the House Transportation & Infrastructure Committee

Winners: The bureaucracy due to their increased budget.
Losers: The American Public due to the increased spending without any increase in benefit.

Aviation Subcommittee:

- Modernizing the Air Traffic Control System (NextGen): The Obama Budget provides $800 million to FAA for NextGen. The FAA cited roughly $650 million in planned spending in FY2010 for NextGen before the budget was released. While we are expecting NextGen funding amounts to ramp up over the next few years, $800 million is a significant increase in spending and is sooner than anticipated.

- Direct User Charges: In a footnote, the Obama Budget proposes to repeal some aviation excise taxes and replace them with direct user charges. The cost of repealing the excise taxes is $31.064 million from 2010 through 2014.

- Aviation Passenger Security Fee: The Obama Budget proposes to increase the Aviation Passenger Security Fee beginning in 2012. While the Administration did not propose a dollar amount, it did claim that the current fee only captures 36 percent of the cost of aviation security. The implication is that the Administration wants to raise the fee enough to offset all passenger and checked baggage screening costs. Costs could significantly increase if TSA continues to grow in size and TSA employees are given the right to negotiate their compensation. Increased passenger security fee could be problematic for an already struggling U. S. airline industry.

- Expanding the size of the TSA: The Obama Budget proposes to increase the number of employees at this already bloated Federal Agency. For example: $50 million will provide 15 new Visual Intermodal Protection response teams at the TSA and additional funding for investments to add 55 Bomb Appraisal Officers.

Economic Development, Public Buildings, & Emergency Management Subcommittee

- Excessive funds for federal courthouse: The Omnibus bill includes funding for a federal courthouse in San Diego, CA. In 2006, the Committee agreed to increase authorization of the courthouse from $250 million to $302 million, with a commitment that they would not request any further increases. Despite their commitment, they requested additional funds, and the omnibus includes an additional $110 million. These additional costs are unnecessary and wasteful.

<u>Highways & Transit Subcommittee</u>

- <u>Scoring Contract Authority as Budget Authority</u>: In the interest of so-called “truth in budgeting”, the Obama Budget proposes to eliminate the linkage between dedicated user fees and programs and projects that benefit those users. The highway, transit, and aviation programs are all funded through contract authority from the Highway Trust Fund and Aviation Trust Fund receipts. Treating these receipts as just another taxpayer dollar would completely undermine the financing mechanism that provides for predictable transportation planning and infrastructure investment.

- <u>Elimination of Firewalls and Spending Guarantees</u>: The Highway and Transit programs have been included in a budgetary category separate from all other discretionary spending in the budget. The Obama Budget proposes to eliminate this separate budget category. Instead of eliminating the firewalls and spending guarantees for Highway and Transit programs, the Administration should reestablish the discretionary spending caps that existed under the Budget Enforcement Act. **The firewalls and spending guarantees ensure that highway trust fund revenue is used for programs that benefit highway users**. They also guarantee a stream of funding over a five or six year period that allow grant recipients to plan and finance infrastructure projects over a number of years. Elimination of these firewalls and guarantees will remove the predictability that grant recipients count on and hamper their ability to leverage federal transportation dollars in the bond market.

<u>Water Resources Subcommittee</u>

- <u>Superfund Tax</u>: The Obama Budget reinstates the arbitrary corporate Superfund tax on industries that may or in many cases may not have caused hazardous pollution and degradation. The Superfund was designed as a cost-recovery statute based on a “polluter pays” principle. Some companies, small businesses, and even families may be taxed to clean up sites they did not pollute.

<u>Lock User Fee</u>: The Obama Budget changes how the excise tax is collected on Inland Waterway system. Currently, a $.20 per gallon excise tax is charged to shippers who traverse the Inland Waterway system. The budget proposes to phase out the excise tax and replace it with a lock user fee. Vessels may be paying more to move their products than they currently pay with the excise tax, artificially making shipment by water a less competitive mode of transportation.

<u>Impact of the Budget on Foreign Affairs</u>

Prepared by the Republican Staff of the House Committee on Foreign Affairs

Winner: <u>The United Nations Relief and Works Agency (UNRWA), which partners with financial institutions supporting Islamist extremist groups.</u> The President has proposed a $900 million increase in funding for Gaza reconstruction, of which an undecided yet significant amount will be entrusted to UNRWA. UNRWA has long refused to vet staff and aid recipients for ties to violent Islamist groups. It has also unilaterally expanded its purely humanitarian mandate to take on a political advocacy role on behalf of Hamas and against Israel. Most recently, UNRWA began partnering with the Commercial Bank of Syria, which the U.S. Department of the Treasury has designated as a "primary money laundering concern," and with the Arab Bank, which is reportedly under investigation by the U.S. Government for financing Palestinian militant groups.

Winner: International organizations, including those which are wasteful, corrupt, resistant to reform, and undermine U.S. interests. The President is promising $1.529 billion for international organizations, a 13.8 percent funding increase. None of the funding is conditional on steps to implement badly needed reform to protect U.S. taxpayer money from being stolen or used to support programs which undermine U.S. interests. In the case of the UN peacekeeping program, the President's proposed contribution will even EXCEED what the UN is asking for.

Winner: Non-governmental organizations and their lobbyists, which stand to enjoy a free-money boom thanks to the President's goal of doubling U.S. foreign assistance funding. The President's FY 2010 budget outline for the State Department and international programs is $51.7 billion – a stunning $15 billion (40 percent) increase in one year.

Winner: The International Panel on Climate Change and UN Framework on Climate Change, which receive a 46.7 percent increase in funding. The President is asking U.S. businesses and taxpayers to give 46.7 percent more to these foreign agencies, which are aiming to design and implement a controversial framework to penalize American businesses for their carbon output.

Winner: State Department bureaucracy. The President has requested $41 million to pay for the first year of an 18 percent pay raise for FSOs. This is well beyond the cost-of-living adjustment generally provided to government employees, and comes at a time when normal Americans are cutting back and learning to get by with less.

Winner: The repressive Cuban regime, which stands to benefit from the President's goal of easing economic restrictions with Cuba. The President's agenda expands family travel, eliminates the "cash-in-advance" requirement, and allows unlicensed travel for agriculture and medical marketing and sales. It also eliminates democracy funding for Cuba. Under the President's agenda, U.S. dollars will flow to Cuba and will help prop up and enrich this ruthless regime, while contributions to groups advocating for freedom and democracy will be eliminated.

Loser: American taxpayers, who are forced to pick up the tab for the President's reckless spending-spree. At a time of economic crisis when many Americans are struggling, it is unreasonable to ask them to fund such an ambitious and controversial increase in foreign aid. Despite the failing records of numerous programs and organizations, the President dismissively throws more taxpayer money at the problem and does not ask for change.

Loser: U.S. national security. The President's budget significantly increases funding for many programs that have a marginal record of success in achieving U.S. foreign policy priorities, including by producing "failed" or "failing states" despite past and ongoing U.S. development and other assistance, and by propping up anti-American institutions like the United Nations which fail to address such critical issues as Iran's nuclear program or Syria's belligerent behavior posing a threat to U.S. security interests, our allies in the Middle East, and to international peace.

Loser: Unborn children. The President's/ Democrats' Omnibus provided $30 million for the UN Population Fund (UNFPA), resuming U.S. funding to the controversial UN organization and reversing U.S. practice that has prohibited U.S. funding so long as UNFPA continues to work with China, for example, whose coercive population control program has involved forced abortion and sterilization.

Loser: American servicemen overseas. The President's/ Democrats' Omnibus bill does not preserve language from previous Omnibus bills prohibiting Economic Support Funds to a foreign government that has not entered into an Article 98 agreement preventing the International Criminal Court from proceeding against U.S. personnel in such country. America-haters can now potentially go after our servicemen.

Loser: Reform and Oversight. The President's agenda rewards a broken system by handing it billions in additional funds without asking for any reform or seeking adequate oversight. We need to employ a reform-first approach in order to protect taxpayer dollars and help mismanaged foreign aid programs serve their purpose. Instead, the President's agenda adopts the approach of pay more now and ask questions later.

Loser: Mexican authorities attempting to restore order and prevent violence, especially along the border region. The President's agenda slashes funding for the Merida initiative by $100 million at a time when drug violence and resulting instability is raging in Mexico. This $100 million cut will be more than offset by what UNRWA will receive from taxpayers this year.

Loser: Colombia, a key democratic ally in the Western Hemisphere. The President's agenda cuts funding for U.S.-Colombian security and economic assistance programs as well as the Andean Counterdrug Program. This snub comes in addition to Democrat refusal to ratify the U.S. Colombia Free Trade Agreement, which has been awaiting Congressional action for over two years.

Impact of the President's Budget on Homeland Security

Prepared by the Republican Staff of the House Committee on Homeland Security

Winners

Illegal aliens who will be able to get U.S. jobs created by the Stimulus. The Stimulus bill Conference Report removed language included in the House-passed version requiring businesses receiving stimulus money to use the E-Verify system, which allows employers to register to electronically check the work authorization of their new hires. According to a recent USA Today story, the number of jobs that could go to illegal aliens could be as high as 300,000, or 15 percent of the two million jobs the Stimulus bill is predicted to create.

Criminal gang members and illegal aliens living in U.S. communities. The Stimulus bill did not include any additional funding for Immigration and Customs Enforcement (ICE) Special Agents who carry out important interior enforcement actions to identify and apprehend these individuals from jails and communities. Additionally, the President's Budget Summary only includes funding for criminal alien removal from jails and signals the Administration's intention to ignore illegal presence as a cause for removal.

Government Employee Unions. The President pledged to weaken management flexibility regarding the 40,000 security screeners working at the Transportation Security Administration (TSA)that Congress provided in the Homeland Security Act of 2002 to the TSA Administrator and Secretary of Homeland Security to quickly move critical personnel in the event of a terrorist attack or natural disaster. The need for such force flexibility is best shown in the response to the British airline plot of 2006. On August 10, 2006, authorities exposed a plot to blow up U.S. airliners over the Atlantic. The terrorists planned to use a new device and new type of explosive. In order to meet the threat, TSA had to rewrite its security directives overnight. This required TSA not only to inform and notify a 45,000 person workforce, but also to train that workforce in a matter of hours on the new procedures and what to look for at the checkpoints. Weakening its flexibility has the potential to prevent TSA from retraining and reasigning screeners to respond to such events in the timeframe necessary, thereby jeopardizing security. This initiative also would increase Federal government liabilities and mandatory spending into the future.

Losers

American workers who will have to compete for jobs against illegal aliens who work for depressed wages. The Stimulus bill Conference Report removed language included in the House-passed version that would have protected Stimulus-created jobs for American workers by requiring businesses receiving stimulus money to use the E-Verify system, which allows employers to register to electronically check the work authorization of new hires. Recently in Canton, Ohio, a $15-an-hour janitor job at a local junior high school received an astounding 667 applications before the deadline even closed. With the February 2009 unemployment rate at 8.1 percent according to the Bureau of Labor Statistics, it is vital that American jobs go to Americans first. The use of systems such as E-Verify would help ensure American workers benefit from the President's stimulus plan.

Our Nation's Interior Enforcement. Neither the Stimulus bill nor the President's Budget Summary provides funding for the southwest border surge operation proposed by the Administration. Instead, the Secretary of Homeland Security indicated that she intends to cut money from other "less urgent" DHS projects to pay for the additional staff and technology deployed to the border. All indications point towards the Administration ending worksite operations and other interior enforcement activities to cover the expense of border security. In addition, according to recent news reports, Speaker of the House Pelosi referred to some interior enforcement actions as "un-American" and called for a "change in policy and practice" for ICE worksite enforcement actions.

Airline Travelers, American Families, and the Tourism Industry. The President's Budget proposes increasing the existing Aviation Passenger Security Fee, doubling the current limit. For every $100 a flier pays for a round trip airfare, over $45 is paid in onerous taxes.   This is one in a series of tax increases the President plans to implement over the next four years. As the Federal government continues to bail out different sectors of the U.S. economy, taxing airline passengers will only add to the woes of the airline industry and speed the current decline in our Nation's tourism industry.

Impact of the Budget on Farmers

Prepared by the Republican Staff of the House Agriculture Committee

The Obama budget proposes change that no farmer would want to believe in. It is a direct assault on the people who work hard every day to deliver a safe and affordable food, feed, fiber and fuel supply to America and the world – and comes at a time when USDA is projecting net farm income to drop by 20 percent in 2009. Even members of the President's own party are outraged by the administration's "assault" on production agriculture:

"Production agriculture has been assaulted by this administration publicly, and I think it would be a good thing for…the administration to take a serious look at the value of agriculture to this country." -- Rep. Marion Berry (D-AR)

"This is a very stupid idea." – Chairman Collin Peterson (D-MN)

Slashes Recently Reformed Farm Programs

Congress just completed a two-year, exhaustive reauthorization of farm programs, including major reforms throughout the system. The 2008 Farm Bill included $7.6 billion in cuts to the farm safety net. This is after the programs came in $21.8 billion under budget over the previous six years. Farm safety net programs constitute one-quarter of one percent of total federal spending and now comprise only 16 percent of Farm Bill spending.

Now, eight months after Congress created a new set of rules for farmers, the Obama administration wants to re-open the 2008 Farm Bill and cut $16 billion from farm programs (offset by $10 billion unspecified increase in nutrition funding) – even though much of this effort has yet to be fully implemented. This "assault" on production agriculture includes.

- ***Eliminates Direct Payments for Family Farms.*** The administration's budget includes a $10 billion cut to direct payments to farmers with more than $500,000 in annual sales. While they suggest this is aimed at large "agribusiness," the reality is that it will be devastating to small, family-run farms because they do not take in to account the high input costs and low profit margins associated with production agriculture. Additionally, these payments have become critical to the availability of credit to producers and they provide the flexibility to respond to market signals when choosing crops.
    - 120,859 farms have sales above $500,000.
    - The average soybean farmer with $500,000 in sales only has net income of about $37,000.

- To produce $500,000 in sales requires the production of only about 500 acres of corn, or 1300 acres of soybeans, or 2500 acres of wheat.
- Additionally, direct payments are in compliance with WTO negotiations. If producers are eligible for subsidies based on price and yield, then this eliminates the green box protection of direct payments under the WTO rules. This would place ALL U.S agriculture supports at risk of WTO action by other countries.

- ***Increases Crop Insurance Premiums.*** The administration's budget cuts over $5 billion to the crop insurance program in part by increasing premiums paid by farmers.

- ***Eliminates Cotton Storage Program.*** The administration's budget cuts $570 million by eliminating cotton storage payments entirely.

- ***Cuts Export Promotion Funding by 20 percent.*** The administration's budget cuts the Market Access Program, which cost shares the overseas promotion of U.S. food products by $358 million or 20 percent.

"Cap & Tax" – Devastating to Agriculture

The administration's "cap and tax" program will hit farmers hard. In addition to household cost increases that will impact all consumers, sectors like agriculture that use large amounts of energy and other petrochemicals will be especially victimized.

- 64 percent of the variable cost of production of corn and 65 percent of wheat is composed of fuel, fertilizer and other chemicals – all of which are petroleum based products and/or require significant amount of energy in production/processing. A significant increase in input costs – after seeing these costs increase by 40 percent over the past five years – will be devastating to production agriculture.
- In 2008, farmers spent $59 billion on fuel, electricity, fertilizer and chemicals. A 20 percent increase across these inputs – a conservative estimate – would be a $12 billion hit to the bottom-line of our nation's farmers.
- The administration claims the increased costs associated with "cap and trade" will be offset by returning to taxpayers some of the revenue ($646 billion) the government collects from selling carbon allowances to the production sector. They project $800 per taxpayer, which will likely not cover consumer losses and will do nothing to address the huge cost increases on the farm.
- Administration officials have alluded to the money farmers can make selling carbon credits into the secondary market, but there is no plan that demonstrates how this would work or to what extent. Certainly a very large number of producers will have no carbon credit production capability at all. In fact, early moves by the Administration indicate that some agriculture operations, like concentration animal production, will be forced to purchase allowances under "cap and trade."

Death Tax – Increases from 0 percent to 45 percent

The Obama budget revives the "death tax." After 30 years of effort, farmers finally achieved the end to confiscatory death taxes that often forced the sale of the family farm to satisfy the

IRS. Under the Administration budget, the tax will revert back to a top-rate of 45 percent and $3.5 million exemption.

90,000 Farmers v. 30 Million Kids

"We will do our best to frame this discussion in that way, so people understand: 30 million children, 90,000 farmers." – Secretary of Agriculture Tom Vilsack

The Administration's budget cuts $16 billion from farm programs to increase nutrition programs by $10 billion and cynically frames the debate a choice between feeding kids and supporting "rich" farmers. This is obviously a false choice and does a disservice to the men and women that produce a safe, abundant and affordable food and fiber supply.

In total, each of these policy changes in the Obama budget is devastating to farmers. The piling of one burden after another on agriculture producers at a time when USDA projects net farm income to be down 20 percent this year creates an unbearable situation that could overwhelm tens of thousands of family farms in this country.

Impact of the Budget on Financial Markets and Small Business

Prepared by the Republican Staffs of the House Financial Services Committee and Small Business Committee

Raising Taxes on All Americans During a Recession Is Reckless, Will Not Create Jobs. The president's budget will levy job-killing tax hikes on small businesses, while at the same time increase taxes on every working family and senior citizen, in the form of higher energy costs. Raising taxes during a recession is not only unwise, but could further prolong the current economic downturn.

TARP-like Placeholder, Housing Slush Fund, ACORN. Among the countless spending increases in the president's budget, many fall squarely within our committee's jurisdiction. The president included a $750 billion 'placeholder' for TARP-like funds that he may use to further prop up financial institutions. However, there are no details as to when these funds may be requested, how they would be used, and what assets and institutions would qualify.

And while it's almost impossible to believe, the committee Democrat's views on the president's budget do not even mention the administration's request for almost $750 billion in tax dollars for future bailouts. A request of this amount should be pored over and scrutinized. A blank check of this size is the height of fiscal negligence.

This budget also requests funds for a wasteful housing trust fund, that has served as a taxpayer-funded trough for liberal activist groups, like ACORN, who are under criminal investigation in a dozen states for voter fraud.

SMALL BUSINESS PROGRAMS IN BUDGET AND OMNIBUS APPROPRIATIONS BILL

Under the Omnibus Appropriations Act of 2009, $65 million is taken from the appropriations of the SBA and directed to be spent at various projects. <u>This money could have been used to provide for additional relief of the costs associated with small businesses borrowing from the SBA, such as through continued reduction in fees or buy-down of interest rates on such loans.</u>

The American Recovery and Reinvestment Act provides for increased funding ($24 million) for the SBA microloan program. The program works by authorizing funds to microloan intermediaries who then provide loans, education, and training to low-income individuals who start their own businesses. The program is very cost-inefficient, requiring the government to spend around 85 cents for each dollar of money lent. <u>Thus, they are spending money on an inefficient program, rather than on programs of greater effectiveness and outreach.</u>

The American Recovery and Reinvestment Act provides an additional $15 million into the surety bond guarantee loan program revolving fund. This money only will benefit small business government contractors if there are surety bond underwriters willing to issue surety bonds under the SBA guarantee program. Since such bond underwriters have concerns about whether the SBA will honor their guarantees, this program is highly underutilized.

Taxes:
Within the budget proposal submitted to Congress there are tax changes that may both help and hurt small businesses. At the Committee on Small Business, three areas of concern have been mentioned as having a direct impact on small employers. First, according to recent testimony, the change in <u>charitable giving will have a direct impact on small rural hospitals</u>. Many hospitals are able to maintain their daily operations based on money received for services. However, they count heavily on charitable giving for facility expansion and technological improvements. Some hospitals have been put on notice that they should not expect to receive the same charitable funding that they have received in the past. Second, the <u>increase in the income tax top rates will impact many small businesses owners who file as individuals</u>. Many of these filers may be single employee businesses looking to expand their business. But during a recession, faced with increased taxes and other expenses, they are opting to maintain the status quo due to future uncertainty. Finally, <u>higher energy costs as a result of increased taxes on domestic oil and gas producers which could also lead to lower supply</u>. From the local delivery service to the small manufacturer and the rural health care provider that travels many miles between patients, these entrepreneurs will directly feel the impact.

Health Care:
The President's budget also proposes a $634 billion "down payment" on healthcare reform with few details about the reform or the source of the additional revenue.

Particularly in a recession, small businesses do not need the unfair burden of additional taxes, mandates or regulations.

Debt:
President Obama's budget would add $4.9 trillion in public debt from the beginning of 2010 through 2016— nearly double the amount accumulated under President Bush over the same number of years. Overall, the public debt level would double over the next decade to $15.4 trillion. At 67 percent of GDP, this would constitute America's largest debt burden since immediately following World War II. The United States government would find itself competing with other deficit-ridden nations to borrow massive amounts of money from a shrinking pool of global savings. The steeply higher government debt levels will likely accelerate that increase in interest rates. These will slow down the economic recovery by making it more costly for businesses to invest. (Loser = Any small business looking to get a loan. Winner = China, as they already own $1 out of every $10 in U.S. public debt. The more our debt goes up, the more we'll end up paying back to China.)

Impact of the Budget on Appropriated Spending

Prepared by the Republican Staff of the Appropriations Committee

The President's budget request for discretionary spending is very sketchy at this point due to the failure of the Administration to provide any detail, either formally or informally on which to judge their request. Once the President submits his complete budget proposal sometime in May, we will be able to provide a more detailed analysis.

The Administration has proposed to make two major changes impacting the Appropriations Committee which make comparisons to the FY09 enacted levels difficult. First, the proposed shift of Pell Grants from discretionary to mandatory spending. By shifting to mandatory, the Administration freed up more money to spend on other discretionary programs while at the same time creating a new and more expensive entitlement program contrary to its stated commitment to get control of runaway entitlements. Second, it contains a very controversial proposal to shift funding for Transportation programs to discretionary spending. It is unclear why this change is being made since these programs are currently under the jurisdiction of the authorization committees and are primarily financed through gas tax revenues. It is very unlikely that the Congress will accept the shift in Transportation programs.

Because of the proposals, and the lack of any detailed information from the Administration, comparisons are somewhat difficult. However, based on the information we do have, the following comparisons can be made.

- The FY 2010 budget represents more of the same hollow promises we heard during the stimulus debate – huge spending increases now, with vague promises to make hard choices and cut spending later.

- The FY 2010 budget once again proposes dramatic increase in discretionary spending – 12 percent in FY 2010 and 24 percent over five years.

- Those dramatic increases are probably understated. Given the huge spending increases thus far under the Democrat Congress and the President's first budget which proposes a 12 percent increase in FY 2010 alone, it is difficult to believe that discretionary spending will only grow by four percent or less after FY 2010 as stated in the President's budget.

- President's budget represents a significant in priorities away from Defense programs which is somewhat reminiscent of the Clinton Administration's "peace dividend" policy to shift funding from defense to domestic discretionary programs.

- The regular Defense budget only receives a four percent increase in FY 2010 and a 12 percent increase over five years (less than inflation). Under the President's budget the share of discretionary spending going to the regular Defense budget will decrease from the current ratio of 53 percent of the all discretionary spending to 48 percent over the next five years.

- While spending for Defense is held to inflation or less, funding for State Department and foreign assistance programs grow by 41 percent in FY 2010 alone, and 87 percent over five years. Under the President's budget, the ratio of spending for international and foreign aid programs will increase from its current level of four percent of all discretionary spending to six percent over the next five years

- For Domestic Discretionary programs, the President's budget proposes a generous 19 percent increase in FY 2010, and a 34 percent increase over five years. Under the President's budget, the ratio of spending for domestic discretionary spending will increase from its current level of 43 percent of discretionary spending to 47 percent over the next five years.

Impact of the Budget on Law Enforcement

Prepared by the Republican Staff of the House Judiciary Committee

Civil Rights Division Budget Compared to Other DOJ Law Enforcement Responsibilities (President Obama's budget proposes $145 million for the Civil Rights Division at the Department of Justice which is a 36 percent increase over the fiscal 2008 level.)

Criminal Justice Issues Traded for Civil Rights Enforcement
This increase should be viewed next to the Administration's failure to increase the budgets for other litigating divisions. From what we know so far, the civil rights division is the only litigating division that will receive an increase (or certainly an increase of this

size) in the FY2010 budget. While civil rights law enforcement certainly is *a* responsibility of DOJ it's certainly not *the* primary responsibility.

DOJ's Immigration Litigation Traded for Civil Rights Investigations of Aggressive State and Local Law Enforcement Immigration Related Activities.
Take, for example, Sheriff Joe Arpaio of Maricopa County, Arizona, who is being investigated for possible civil rights violations for his immigration law enforcement work. Such investigations could chill similar law enforcement activities by state and local law enforcement out of fear that they, too, may be investigated by DOJ for their activities. **The Obama Administration should be asked, "Is this a signal that it plans to reduce enforcement of immigration laws?"**

Removal of an Effective Immigration Enforcement Tool
A long-term extension of E-Verify was stripped out of the stimulus bill at conference (as was the provision requiring any company that gets stimulus funds to use E-Verify), instead a six month extension of the existing program was placed into the omnibus. The Democrats and Obama are holding a long-term extension of E-Verify hostage for when/if we consider comprehensive immigration reform.

Funds provided to DOJ under the stimulus $4 Billion of New Grant Funds Under the Stimulus for Existing DOJ Grant Programs When Crime Has not Dramatically Increased.

Programs Being Dramatically Increased Although Crime Not Rising Dramatically
As a whole, U.S. law enforcement reports a 3.5 percent decrease in the number of violent crimes brought to their attention for the first six months of 2008 when compared with figures reported for the same time in 2007. The number of property crimes in the United States from January to June of 2008 decreased 2.5 percent when compared with data from the same time period in 2007.

Effectiveness of COPS Has Been Questioned and Its Funds Misspent
Federal audits of just three percent of all COPS grants allege $277 million in misspent funds. In addition, the program's effectiveness in reducing crime is also disputed. A 2005 GAO report concluded that although "COPS expenditures led to increases in sworn police officers above levels that would have been expected without these expenditures and through the increases in sworn officers led to declines in crime, we conclude that COPS grants were not the major cause of the decline in crime from 1994 through 2001."

Funneling Money to States Instead of Addressing Federal Law Enforcement's Future
While we are committing large amounts of funds to states and localities we are not addressing our own needs. At a time when we are committing prodigious amounts of funding to states and locals the cost of federal detention has remained unmet creating a ticking time-bomb where DOJ's detention needs (along with the FBI) will consume almost all other DOJ law enforcement responsibilities.

Impact of the Budget on Natural Resources

Prepared by the Republican Staff of the House Natural Resources Committee

WINNERS

Foreign Oil Cartels like OPEC: The President's budget proposes more than $31 billion in new taxes and fees on domestic oil and gas production and no new fees on imported oil and gas. Even with the existing tax structure, the effective tax rate of the top 27 energy companies reporting to the Minerals Management Service (MMS) was 40.4 percent in 2007. This disparity will make us more dependent on imported oil, reduce domestic exploration and cost American workers their jobs; while at the same time ensuring that OPEC continues to hold a greater share of the US oil market and keeping us dependent on the whims of Iran and Venezuela for the price of oil.

Bureaucrats and billion dollar land trusts that purchase properties at a discount with tax-exempt dollars, then turn around and sell those same properties to the federal government at full value: On top of the $750 million provided in the stimulus bill, the President's budget ramps up funding for the Land and Water Conservation Fund from $420M to $900M in five years for the National Park Service, the U.S. Forest Service, and the National Wildlife Refuge System for low priority land acquisition. We need to correct the billion-dollar maintenance backlog before adding new places to it.

Recession-proof, unaccountable federal central planners: With nearly a billion dollars to spend on land acquisition and few limits on what to spend it on, the Washington bureaucracy of the Departments of the Interior and Agriculture will grow and require large increases in annual appropriations to support them in perpetuity.

Senator Reid: The Omnibus Appropriations bill includes a provision adding Nevada to the list of States eligible for funds under the Pacific Coastal Salmon Recovery Fund. Congress established the Fund to contribute to the restoration and conservation of Pacific salmon and steelhead populations and their habitats. Nevada has no listed salmon or steelhead species.

Environmentalists who want to lock up the oceans to any consumptive activities.

- Increasing funding for atmospheric programs to the detriment of ocean and coastal programs will prevent fishery manager and others from getting the necessary data to allow for the optimal harvest of our fisheries resources. The environmental community often argues that without up-to-date data, catch levels must be lowered to be "precautionary" and at the same time attempt to cut necessary funding to provide the data. In addition, the increased funding for the National Marine Sanctuary Program and the Marine Protected Area program will be used to restrict activities such as commercial fishing, surfing, boating and other activities that might "harm" sanctuary resources.

- The President's budget also includes a $3.2 million appropriation for the Marine Mammal Commission. The funds will go toward hiring 2 full time employees to monitor oil and gas issues (expansion of exploration and the clean-up of oil spills on ice) and emerging fishery issues. The Commission was authorized to be a scientific resource for the Department of the Interior and the Department of Commerce. Over time, the Commission has become more of an advocacy group supporting and pushing the environmental groups' agendas.

LOSERS

Small businesses who support oil and gas development and the American People. The President's budget eliminates the expensing of Intangible Drilling and Development Costs (IDC) and extends the amortization period for Geological and Geophysical (G&G) Expenditures. Since only independent producers can fully expense IDC on domestic production, this would remove more than $3 billion that would normally be invested in generating new domestic energy production, creating new high paying American jobs. G&G costs are associated with exploration and identification of undiscovered oil and natural gas resource targets. Early recovery of G&G costs allows for more investment in domestic energy projects, creating more American jobs.

American Refinery Workers. By eliminating the Domestic Production Activities (Sec. 199), or "Manufacturing Tax Credit" for oil and gas companies, the President is encouraging American refining and chemical manufacturing to move overseas. The Manufacturing Tax credit helps encourage more oil and natural gas production in this country, and attracts needed capital to spur new petroleum refining capacity. In so doing, high paying U.S. jobs are preserved, and U.S. reliance on imported oil and related products is reduced.

Small oil and gas producers who use older fields that otherwise would not be used. By eliminating the Marginal Well Tax Credit, the President's budget would most likely put small oil and gas producers who use marginal wells out of business. These wells account for 20 percent of domestic oil and 12 percent of domestic natural gas and are the most vulnerable to shutting down forever when prices fall to low levels.

American taxpayers who may have to pay for uneconomical electricity transmission lines to nowhere. The President's agenda allows American taxpayers to pay for outstanding or defaulted loans made by the Western Area Power Administration – a federal agency -- on behalf of the wind or solar industry. While the goal of this loan program is to integrate more renewable electricity sources into the electricity grid, making American taxpayers eat the costs of outstanding loans made on behalf of private sources that made faulty investments on un-used transmission lines is not acceptable.

Millions of electricity consumers who would see their rates rise because of a cost re-distribution scheme. The President's budget proposal requires millions of electricity ratepayers served by the Bureau of Reclamation's Pick-Sloan project to absorb the costs of an annual $23 million cost-reallocation. These consumers have already seen their rates increase 100 percent because of drought and environmental lawsuits. The President's proposal would require yet another unjustified rate increase.

Electricity ratepayers who benefit from clean, renewable and emissions-free hydropower. The President's budget proposal requires a cap-and-trade scheme that would force increased energy costs on many western electricity ratepayers. Under federal law, the Western Area Power Administration (WAPA) and the Bonneville Power Administration (BPA) must fulfill contracts to provide a certain amount of power to their customers. If that power is unavailable from federal hydropower projects due to lost generation caused by environmental mandates or other factors, these agencies must purchase enough power on the open market to meet contractual needs. Often times, this replacement power is purchased from fossil-burning utilities. Under the President's proposal, these utilities would be forced to participate in an emissions cap-and-trade program and these increased costs would be passed on to the consumers served by WAPA and BPA.

Washington, California, Oregon, Alaska, and Idaho Pacific Salmon Recovery Programs. By adding Nevada to the list of States eligible for the Pacific Coastal Salmon Recovery Fund, recovery programs in these States (where fishermen are being put out of business because of low salmon returns) will have less money for important habitat restoration programs.

Commercial fishermen. By taking the priority away from ocean and coastal programs (which support the renewable resource management responsibilities of NOAA) fishermen and fishing communities will suffer through the lack of data for establishing fishing quotas. In addition, increased funding for the National Marine Sanctuary Program and the Marine Protected Area program will be used to restrict activities such as commercial fishing. Efforts to expand the Sanctuary Program to more than one-third of the coastline of California and for the entire Oregon coast have been explored in recent years and would severely hamper commercial fishing activities on the west coast. Proposals to restrict fishing in Sanctuaries would also harm New England fishermen.

Energy companies interested in investing in offshore energy technologies. Efforts to expand Marine Protected Areas (MPA) and National Marine Sanctuaries will create permitting confusion and lead to less interest in investing offshore by alternative energy companies. The National Marine Sanctuary Program was already involved in delays in permitting an offshore energy pilot project within a Sanctuary off Washington State (which also happened to be part of the Makah reservation) which led to the project being cancelled. The Omnibus calls for increased funding for both the MPA program and the National Marine Sanctuary program.
American taxpayers The Federal Government will squander more tax dollars to acquire even more land that can't be managed and Americans will have to pay more in state and local taxes to make up for lost property tax revenues.

Broken Budget Promises

Prepared by the Republican Staff of the Financial Services Committee

Democrats Punt on Fiscal Responsibility, PAYGO. Washington Democrats continue to try to claim the mantle of fiscal responsibility. However, over the last 50 days they have spent $1.2 billion on a so-called stimulus, are prepared to pass a $410 billion spending bill laden with 9,000 earmarks, and the White House has proposed a $3.6 trillion dollar budget. How are these record amounts of government spending paid for? Mostly with borrowed money that will be paid for by future generations. This generational theft must end.

Broken Fiscal Responsibility Promises

- "Barack Obama will restore fiscal discipline to Washington: Obama and Biden review the federal budget line by line and eliminate programs that don't work or are unnecessary." (http://www.barackobama.com/issues/fiscal/)
- "President Obama has been a strong advocate for sound budget practices and the reduction of wasteful spending in Washington. He is committed to fiscal transparency and accountability and ensuring that all new tax cuts and spending commitments are paid for without burdening our children and grandchildren with excessive debt."
- "Obama and Biden will stop funding wasteful, obsolete federal government programs that make no financial sense." (http://www.whitehouse.gov/agenda/fiscal/)

Broken PAYGO Promises

- Then incoming-House Speaker Pelosi said this in her 2006 'A New Direction for America' manifesto: "Democrats are committed to ending years of irresponsible budget policies that have produced historic deficits. Instead of piling trillions of dollars of debt onto our children and grandchildren, we will restore "Pay As You Go" budget discipline." (http://democrats.house.gov/newdirection)
- Pelosi on MSNBC in November of 2006: "No new deficit spending, no new bridges to nowhere, heaping mountains of debt on our children." (http://www.msnbc.msn.com/id/15627215/)
- "Obama and Biden believe that a critical step in restoring fiscal discipline is enforcing pay-as-you-go (PAYGO) budgeting rules which require new spending commitments or tax changes to be paid for by cuts to other programs or new revenue." (http://www.barackobama.com/issues/fiscal/)