111TH CONGRESS
2d Session

COMMITTEE PRINT

SERIAL NO.
CP–2

COMMITTEE ON THE BUDGET
U.S. HOUSE OF REPRESENTATIVES

VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

(With Additional, Supplemental, and Minority Views)

ON THE

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2011

SUBMITTED PURSUANT TO SECTION 301(d) OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

ONE HUNDRED ELEVENTH CONGRESS

SECOND SESSION

MARCH 2010

AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

VIEWS AND ESTIMATES OF COMMITTEES OF THE HOUSE

[COMMITTEE PRINT]

HOUSE OF REPRESENTATIVES
COMMITTEE ON THE BUDGET

VIEWS AND ESTIMATES

OF

COMMITTEES OF THE HOUSE

(With Additional, Supplemental, and Minority Views)

ON THE

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 2011

SUBMITTED PURSUANT TO SECTION 301(d) OF THE CONGRESSIONAL BUDGET AND IMPOUNDMENT CONTROL ACT OF 1974

MARCH 2010

Serial No. CP–2

Printed for the use of the Committee on the Budget

U.S. GOVERNMENT PRINTING OFFICE

55–649 CC WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office
Internet: bookstore.gpo gov Phone: toll free (866) 512–1800; DC area (202) 512–1800
Fax: (202) 512–2104 Mail: Stop IDCC, Washington, DC 20402–0001

COMMITTEE ON THE BUDGET

JOHN M. SPRATT, JR., South Carolina, *Chairman*

ALLYSON Y. SCHWARTZ, Pennsylvania
MARCY KAPTUR, Ohio
XAVIER BECERRA, California
LLOYD DOGGETT, Texas
EARL BLUMENAUER, Oregon
MARION BERRY, Arkansas
ALLEN BOYD, Florida
JAMES P. McGOVERN, Massachusetts
NIKI TSONGAS, Massachusetts
BOB ETHERIDGE, North Carolina
BETTY McCOLLUM, Minnesota
JOHN A. YARMUTH, Kentucky
ROBERT E. ANDREWS, New Jersey
ROSA L. DELAURO, Connecticut,
CHET EDWARDS, Texas
ROBERT C. "BOBBY" SCOTT, Virginia
JAMES R. LANGEVIN, Rhode Island
RICK LARSEN, Washington
TIMOTHY H. BISHOP, New York
GWEN MOORE, Wisconsin
GERALD E. CONNOLLY, Virginia
KURT SCHRADER, Oregon
DENNIS MOORE, Kansas

PAUL RYAN, Wisconsin,
Ranking Minority Member
JEB HENSARLING, Texas
SCOTT GARRETT, New Jersey
MARIO DIAZ-BALART, Florida
MICHAEL K. SIMPSON, Idaho
PATRICK T. McHENRY, North Carolina
CONNIE MACK, Florida
JOHN CAMPBELL, California
JIM JORDAN, Ohio
CYNTHIA M. LUMMIS, Wyoming
STEVE AUSTRIA, Ohio
ROBERT B. ADERHOLT, Alabama
DEVIN NUNES, California
GREGG HARPER, Mississippi
ROBERT E. LATTA, Ohio

PROFESSIONAL STAFF

THOMAS S. KAHN, *Staff Director and Chief Counsel*
AUSTIN SMYTHE, *Minority Staff Director*

CONTENTS

	Page
Committee of the House:	
Agriculture	1
Armed Services	4
Education and Labor	20
Energy and Commerce	38
Financial Services	58
Foreign Affairs	74
Homeland Security	83
Judiciary	114
Natural Resources	139
Oversight and Government Reform	173
Permanent Select Committee on Intelligence	198
Rules	200
Science and Technology	209
Small Business	234
Transportation and Infrastructure	260
Veterans' Affairs	306
Ways and Means	340

COLLIN C. PETERSON, MINNESOTA,
CHAIRMAN
TIM HOLDEN, PENNSYLVANIA,
VICE CHAIRMAN
MIKE McINTYRE, NORTH CAROLINA
LEONARD L. BOSWELL, IOWA
JOE BACA, CALIFORNIA
DENNIS A. CARDOZA, CALIFORNIA
DAVID SCOTT, GEORGIA
JIM MARSHALL, GEORGIA
STEPHANIE HERSETH SANDLIN, SOUTH DAKOTA
HENRY CUELLAR, TEXAS
JIM COSTA, CALIFORNIA
BRAD ELLSWORTH, INDIANA
TIMOTHY J. WALZ, MINNESOTA
STEVE KAGEN, WISCONSIN
KURT SCHRADER, OREGON
DEBORAH L. HALVORSON, ILLINOIS
KATHLEEN A. DAHLKEMPER, PENNSYLVANIA
ERIC J.J. MASSA, NEW YORK
BOBBY BRIGHT, ALABAMA
BETSY MARKEY, COLORADO
FRANK KRATOVIL, Jr., MARYLAND
MARK H. SCHAUER, MICHIGAN
LARRY KISSELL, NORTH CAROLINA
JOHN A. BOCCIERI, OHIO
SCOTT MURPHY, NEW YORK
EARL POMEROY, NORTH DAKOTA
TRAVIS W. CHILDERS, MISSISSIPPI
WALT MINNICK, IDAHO

U.S. House of Representatives
Committee on Agriculture

Room 1301, Longworth House Office Building
Washington, DC 20515-6001

(202) 225-2171
(202) 225-8510 FAX

March 4, 2010

FRANK D. LUCAS, OKLAHOMA,
RANKING MINORITY MEMBER
BOB GOODLATTE, VIRGINIA
JERRY MORAN, KANSAS
TIMOTHY V. JOHNSON, ILLINOIS
SAM GRAVES, MISSOURI
MIKE ROGERS, ALABAMA
STEVE KING, IOWA
RANDY NEUGEBAUER, TEXAS
K. MICHAEL CONAWAY, TEXAS
JEFF FORTENBERRY, NEBRASKA
JEAN SCHMIDT, OHIO
ADRIAN SMITH, NEBRASKA
ROBERT E. LATTA, OHIO
DAVID P. ROE, TENNESSEE
BLAINE LUETKEMEYER, MISSOURI
GLENN THOMPSON, PENNSYLVANIA
BILL CASSIDY, LOUISIANA
CYNTHIA M. LUMMIS, WYOMING

ROBERT L. LAREW,
CHIEF OF STAFF
ANDREW W. BAKER,
CHIEF COUNSEL
NICOLE SCOTT
MINORITY STAFF DIRECTOR

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are including below the recommendations of the Committee on Agriculture with respect to programs within the Committee's jurisdiction. The Committee on Agriculture appreciates this opportunity to share its views and estimates for the fiscal year 2011 budget cycle.

The Committee's legislative agenda and budget considerations for the upcoming year are very much colored by the fact that that we are a year and nine months beyond enactment of the Food, Conservation, and Energy Act (FCEA) of 2008, and final rules have not yet been issued for many programs..

Final passage of the FCEA was supported by over 1,000 organizations from across the policy spectrum. Substantial bi-partisan majorities in both the House (317-109) and the Senate (80-14) supported passage.

One reason for these substantial majorities for the FCEA was that the Agriculture (and other) Committees worked very hard to ensure that any increases in spending above baseline levels were offset with reductions elsewhere. As scored by the Congressional Budget Office against the official scoring baseline, the final bill saved $67 million over five years and $110 million over ten years.

The recent economic crisis has made benefits provided by the FCEA increasingly essential to many families' existence. The number of Supplemental Nutrition Assistance Program (SNAP—formerly the Food Stamp Program) recipients just hit a record high of over 38 million in November, 2009 (the latest data available).

agriculture.house.gov
agriculture@mail.house.gov

USDA forecasts of net farm income and asset values for 2010 demonstrate the need to maintain the farm income safety net. In real terms (adjusted for inflation), 2010 net farm income is estimated to be the third lowest since 1999. While press reports have indicated a rise in net farm income from 2009, those reports often neglect to mention that 2009 net farm income was not only at the lowest nominal dollar level since 2002 but also was down from 2008's near record for net farm income of $87.0 billion.

USDA expects crop receipts to be down $6 billion in 2010, compounding the decline of $16.8 billion in 2009. Declines in crop receipts would be across the board, except for small increases in cotton and greenhouse/nursery products. Livestock receipts are expected to increase $11.5 billion in 2010; however, this makes up for only about half of the $22.3 billion decline in 2009. Both Government payments and total expenses are forecast to change little in 2010.

Farm sector asset values are forecast to decline from $1.944 trillion in 2009 to $1.876 trillion in 2010 (a 3.5-percent decline), reflecting lower expected returns on farm investments. Declines are forecast in all categories of farm assets including the values of land, machinery, and equipment; crop inventories; financial assets; livestock and poultry; and purchased inputs. USDA notes that volatility persists in commodity, energy/input, and financial markets providing considerable uncertainty in forecasts. Although interest rates are low and stable, and farm credit is still available, producers could face tight credit requirements.

Additionally, America's farmers and ranchers are facing ever-increasing regulatory requirements, both from state and federal authorities. Conservation programs under the FCEA help producers not only meet these requirements, but also protect water, soil, and air quality and enhance wildlife habitat.

Given these political and economic realities, the Committee believes that program benefits of the FCEA should be maintained so that families—both farm and non-farm--facing adverse economic conditions—many through no fault of their own—can be continue to receive help as Congress intended. We believe that it would be unwise to reopen the FCEA to reduce program benefits—especially through proposals similar to those that, during the FCEA debate, were considered and rejected.

The Committee will begin hearings this Spring in preparation for drafting the next farm bill. Changes in program benefits can—and should—wait until the comprehensive reauthorization of that legislation.

Our position regarding changes in program benefits does not mean that the Committee should do nothing to address waste, fraud, or abuse in areas under the Committee's jurisdiction. In fact, during the past year the Committee spent much of its time working to reduce the potential for fraud and abuse of our nation's derivatives markets. On October 21, 2009, the Committee passed bipartisan legislation, the Derivatives Markets Transparency and Accountability Act, designed to promote fair and transparent derivatives markets and to give Federal regulators effective tools to guard against fraud and manipulation. If enacted, these provisions should improve oversight and enforcement mechanisms that should help forestall future needs to interject massive taxpayer resources into rescuing financial institutions.

Further, these tough economic times make it critically important to identify wasteful, fraudulent, and abusive spending in government programs. Doing so is important to the nation's hard-working taxpayers who deserve value and efficiency. Every dollar of waste, fraud, and abuse identified and eliminated will help our short- and long-term deficit and debt problems. The Committee has a strong record of identifying needed legislative and administrative remedies to ensure that programs under our jurisdiction operate more efficiently and effectively. Here are a few examples:

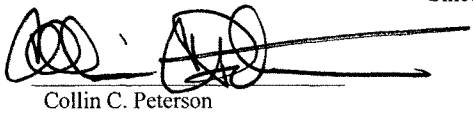
The FCEA of 2008 provided a permanent, mandatory funding stream to ensure the continuation of a very successful data mining project that has identified schemes and devices used by some agents, adjusters, and producers to defraud the Federal crop insurance program. In prior acts, the Congress limited double insurance on the same acres in the same season and required that social security or tax identification numbers be used to track producers who previously would switch agents or companies for fraudulent activities.

Fraud in both the commodity programs and crop insurance has been reduced by a statutory requirement that producer information be reconciled between the Farm Service Agency's commodity programs and the Risk Management Agency's crop insurance programs.

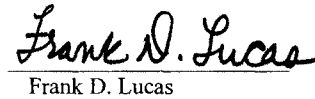
Trafficking in SNAP benefits (formerly food stamps) has been reduced substantially by requirements that EBT (electronic benefit transfer) cards be used to deliver benefits. The Committee has also legislated policies that tighten program administration to ensure that certain classes of ineligible persons (such as prisoners) do not receive SNAP benefits.

In closing, the Committee on Agriculture is mindful of the many challenges that the Committee on the Budget faces in developing the Budget Resolution for FY 2011. Given current economic conditions, doing so clearly represents a daunting task. We are grateful for your consideration of the views we have presented and look forward to providing assistance in preparation of a responsible budget resolution.

Sincerely,



Collin C. Peterson
Chairman



Frank D. Lucas
Ranking Minority Member

IKE SKELTON, MISSOURI, CHAIRMAN
JOHN SPRATT, SOUTH CAROLINA
SOLOMON P. ORTIZ, TEXAS
GENE TAYLOR, MISSISSIPPI
NEIL ABERCROMBIE, HAWAII
SILVESTRE REYES, TEXAS
VIC SNYDER, ARKANSAS
ADAM SMITH, WASHINGTON
LORETTA SANCHEZ, CALIFORNIA
MIKE McINTYRE, NORTH CAROLINA
ROBERT A. BRADY, PENNSYLVANIA
ROBERT ANDREWS, NEW JERSEY
SUSAN A. DAVIS, CALIFORNIA
JAMES R. LANGEVIN, RHODE ISLAND
RICK LARSEN, WASHINGTON
JIM COOPER, TENNESSEE
JIM MARSHALL, GEORGIA
MADELEINE Z. BORDALLO, GUAM
BRAD ELLSWORTH, INDIANA
PATRICK J. MURPHY, PENNSYLVANIA
HANK JOHNSON, GEORGIA
CAROL SHEA-PORTER, NEW HAMPSHIRE
JOE COURTNEY, CONNECTICUT
DAVID LOEBSACK, IOWA
JOE SESTAK, PENNSYLVANIA
GABRIELLE GIFFORDS, ARIZONA
NIKI TSONGAS, MASSACHUSETTS
GLENN NYE, VIRGINIA
CHELLIE PINGREE, MAINE
LARRY KISSELL, NORTH CAROLINA
MARTIN HEINRICH, NEW MEXICO
FRANK M. KRATOVIL, JR., MARYLAND
ERIC J.J. MASSA, NEW YORK
BOBBY BRIGHT, ALABAMA
SCOTT MURPHY, NEW YORK
DAN BOREN, OKLAHOMA

HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED ELEVENTH CONGRESS

HOWARD P. "BUCK" McKEON, CALIFORNIA
ROSCOE G. BARTLETT, MARYLAND
MAC THORNBERRY, TEXAS
WALTER B. JONES, NORTH CAROLINA
W. TODD AKIN, MISSOURI
J. RANDY FORBES, VIRGINIA
JEFF MILLER, FLORIDA
JOE WILSON, SOUTH CAROLINA
FRANK A. LoBIONDO, NEW JERSEY
ROB BISHOP, UTAH
MICHAEL TURNER, OHIO
JOHN KLINE, MINNESOTA
MIKE ROGERS, ALABAMA
TRENT FRANKS, ARIZONA
BILL SHUSTER, PENNSYLVANIA
CATHY McMORRIS RODGERS, WASHINGTON
K. MICHAEL CONAWAY, TEXAS
DOUG LAMBORN, COLORADO
ROB WITTMAN, VIRGINIA
MARY FALLIN, OKLAHOMA
DUNCAN HUNTER, CALIFORNIA
JOHN C. FLEMING, LOUISIANA
MIKE COFFMAN, COLORADO
THOMAS J. ROONEY, FLORIDA
TODD RUSSELL PLATTS, PENNSYLVANIA

ERIN C. CONATON, STAFF DIRECTOR

March 4, 2010

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, we are forwarding to you our views regarding the national defense budget function (050) for fiscal year 2011.

The President's FY 2011 budget requests $573.8 billion in discretionary budget authority for national defense. Of this total, $548.9 billion is for the Department of Defense, $17.8 billion is for the Department of Energy's defense activities, and $7.0 billion is for other defense-related activities. The President's budget also includes $5.6 billion in mandatory budget authority.

In addition to the base budget request, as required by Section 1008 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364), the President's budget for FY 2011 includes a separate request of $159.3 billion for war-related expenditures in support of ongoing military operations in Afghanistan and Iraq, presented again this fiscal year as Overseas Contingency Operations (OCO). The Department also submitted an additional request of $33.0 billion in OCO funds for FY 2010 in support of increased military personnel and operations in Afghanistan this fiscal year.

The Defense Department's $548.9 billion base budget attempts to balance warfighting capabilities to support both current and future conflicts, while emphasizing the need to take care of our servicemembers and their families. The request continues ongoing efforts to reform how the Department does business, to include how and what the Department buys, improving financial management and contingency contracting, and strengthening the civilian workforce.

The committee recognizes the focus of the Department of Defense to ensure scarce resources received are dedicated to the needs of the warfighter. We support the progress made by the Department, considering the Nation's limited resources.

As the committee works through the review process, we will aim to support the six key national defense missions identified by the Department in the QDR:

- Defend the United States and support civil authorities at home
- Succeed in counterinsurgency, stability, and counterterrorism operations
- Build the security capacity of partner states
- Deter and defeat aggression in anti-access environments
- Prevent proliferation and counter weapons of mass destruction
- Operate effectively in cyberspace

The committee supports the complete allocation of funds by the Budget Committee to the levels requested in the President's FY 2011 budget for the national defense budget function, to include contingency operations and mandatory spending. We believe—in light of the ongoing military conflicts, significant reset and modernization needs of the services, and the substantial investments required to recruit and retain highly qualified servicemembers and families—that the budget request is the minimum necessary level to support our national security requirements. The committee wishes to highlight a number of areas for your concern.

Military Personnel

For eleven years, Congress has provided the military a minimum of an additional 0.5 percent above the level of private sector pay raises as measured by the Employment Cost Index. This action was based on the belief that the sacrifice of servicemembers and the stress imposed on families during the high operational tempo of a wartime environment justified the long term effort to reinstate a general parity between military and private sector pay raise levels. This commitment to people has been acknowledged by the Department of Defense in the QDR, declaring that "America's men and women in uniform constitute the Department's most important resource."

However, even after providing enhanced pay raises for over a decade, military pay raise levels still trail private sector pay raises by 2.4 percent. In 1999, Congress recognized that military pay raise levels had been allowed to decline when compared to private sector employees and it acted to begin an incremental process to restore pay raise comparability. Now more than ever, as we ask those who wear the uniform of this country to defend the freedoms that all Americans enjoy, we must demonstrate to servicemembers that we understand their sacrifices and are committed to fulfilling the long term plan to remove uncertainty as to whether military pay raises have fallen behind private sector trends.

An additional pay increase of 0.5 percent would bring the across-the-board pay raise for fiscal year 2011 to 1.9 percent at a cost of $340 million in fiscal year 2011. An additional allocation of this amount will allow the committee to continue to restore confidence in the military pay raise system in a systematic and responsible way.

Mandatory Funding

The committee has continued its efforts over the past several years to adopt program changes that have benefited servicemembers, their families and survivors. Last year, we were fortunate that the Federal Retirement Reform Act of 2009 (Public Law 111-31) yielded additional direct spending that allowed us to incrementally increase payment amounts for recipients of the special survivor indemnity allowance to whose spouses died on active duty. However, as always, there is more that needs to be done. For example, the committee continues to consider retroactive authority for early retirement qualification for highly deployed reservists, improving education programs for those serving in the Selected Reserve, expansion of the program to provide concurrent receipt of military retired pay and Department of Veterans Affairs (DVA) disability compensation for all disabled military retirees, and eliminating the offset for survivors who are entitled to both Survivor Benefit Program and the DVA's Dependency and Indemnity Compensation. These are just a few of the programs that cannot be addressed because they require additional mandatory spending that is not available within the committee's allocation.

The committee is pleased that the President's budget again includes a proposal to fully fund concurrent receipt for military retirees that were retired due to disability, but was deeply disappointed to learn that the budget request also fails to identify the $5.1 billion in mandatory offsets over ten years needed to adopt the proposal. It was this same limitation that prevented this important legislation from being adopted last year. The committee does not have the ability to fund this proposal within our current mandatory allocation. Simply put, it is not within the Armed Services Committee's power to implement the President's proposal. The committee looks forward to working with the Budget Committee to ensure that the appropriate mandatory funding is provided to the 050 budget to ensure that this legislative proposal can be successfully addressed.

In order to move forward in a systematic way to address these many important programs, the committee again respectfully requests an increase to the Armed Services allocation for mandatory spending so that we can begin to fully resolve these matters.

Readiness

With respect to readiness, the committee notes that in fiscal year 2011, the ground forces' readiness levels, both in the aggregate and in terms of full-spectrum training, may finally begin to improve. If the drawdown in Iraq takes place as planned, non-deployed forces will slowly begin to regain readiness due to increased time at home station. But any increase in readiness will depend on a steady flow of equipment to these non-deployed units from reset operations at depots and other repair facilities. While in most cases deployed forces have the equipment, personnel, and training they require for their current missions, this deployed readiness continues to come at the expense of non-deployed units. Most non-deployed units report that they are not ready for combat operations, or at a minimum would need significant additional time and equipment to prepare for deployment. This means that the services are not ready to meet another major contingency operation as quickly as some planning metrics demand. In addition, many

units have not conducted training on high-intensity operations in years due to the constant demand of overseas deployments where they conduct non-traditional operations. The committee believes it is critical to the Nation's security that readiness levels improve and that sufficient investments are made to ensure this. This will require sustained funding levels for readiness and reset over a period of years.

Acquisition Programs

With respect to Army equipment, we expect to see continued efforts to simultaneously modernize current vehicles (M1 Abrams, M2 Bradley, and Stryker), develop new systems (Joint Tactical Radio System and Ground Combat Vehicle), and reset large amounts of equipment returning from theater. Taken together, the costs of these three tasks will likely significantly exceed available resources.

With respect to the combat aviation forces, the committee has major concerns with the F-35 program. The F-35 development program has been delayed due to late delivery of test aircraft and the accomplishment of fewer than ten percent of the planned test flights in fiscal year 2009. Delays in the test program have led to unexpected and unprecedented concurrency of development and production. Budget pressure is amplified by a significant projected shortage in the Naval strike fighter inventory in the middle of the current decade, generating projected cost increases in the procurement and operational costs of the F-35. This causes the committee to question whether F-35 production should proceed at the pace requested by the Department of Defense. Despite the delay, the Air Force has requested to retire approximately 250 aircraft in fiscal year 2010. The committee has requested additional information about these retirements considering needs for the National Military Strategy.

Recent base budget requests have not adequately funded programs of record and deferred making decisions on important questions. The committee will need to examine carefully these investment priorities in light of the Administration's strategy and enduring national security interests. The Air Force's first acquisition priority -- recapitalization of its airborne tanker fleet -- is planned to be initiated in fiscal year 2010 and has been delayed eight years because of failure in the service's acquisition system. The committee will need to carefully review investment programs to determine whether the Department's investment strategy is matched with the resources needed to meet National Military Strategy requirements.

With respect to the Navy, the recently submitted 30 year shipbuilding plan is optimistic on actual costs for the recapitalization of the battle force fleet. The committee must address increasing the number and capabilities of its surface fleet while maintaining planned attack submarine construction. The Navy shipbuilding plan does not address the validated requirement for the amphibious assault force due to budget constraint, and the committee must address the risk that this loss of capability may have on national security. The committee is also concerned with upcoming procurement costs in the Marine Corps Expeditionary Fighting Vehicle and the restructured Presidential Helicopter program.

Nuclear Weapons and Delivery Systems

The FY 2011 Department of Defense request includes $5.2 billion to support a broad array of Air Force efforts to "Reinvigorate the Nuclear Enterprise." This total includes funds for the new Air Force Global Strike Command, and the recently-established Strategic Deterrence and Nuclear Integration Air Staff Directorate. The total also includes funds for sustainment and modernization of Air Force maintained ICBMs and long-range bombers.

The FY 2011 Department of Energy request includes a substantial increase in funding for the science-based Stockpile Stewardship Program which is carried out by the National Nuclear Security Administration (NNSA). The request for Atomic Energy Defense Activities programs is $17.8 billion, which represents a $1.2 billion increase over the $16.6 billion provided via the Energy and Water Development Appropriations Act of FY 2010. The budget calls for increased funding for foreign assistance, expanded diplomatic and development operations, and reinvigorated efforts on nuclear non-proliferation, terrorism and transnational crime.

The committee recognizes the importance of these NNSA activities to our national security, potentially preventing crises requiring the deployment of U.S. troops, and, in the event of their deployment, reducing the stress on U.S. troops. The committee strongly supports these requests as critical to achieving the President's goal of reducing global nuclear security risks while maintaining a safe, secure and effective nuclear deterrent.

Waste, Fraud, Abuse, and Improving Governmental Performance

The committee recognizes the requirement pursuant to section 425 of the FY 2010 budget resolution that requires recommendations for rooting out waste, fraud, and abuse, and improving governmental performance. Annually, the committee undertakes careful and detailed analysis of each of the programs within the committee's jurisdiction with an eye toward cutting any unjustified expense and reallocating funds where appropriate to higher-priority and well-executing programs. The committee plans to continue this same level of oversight as we approach the fiscal year 2011 budget request. As an example, the committee intends to elevate the issue of the Department of Defense and its subordinate entities putting in place the necessary financial management systems and internal controls to produce financial statements that are audited and receive an unqualified audit opinion.

We would note that during 2009, the committee held numerous oversight hearings focused on identifying areas vulnerable to waste, fraud, abuse and mismanagement; enacted legislation to reform the acquisition of weapon systems, the Weapon Systems Acquisition Reform Act of 2009; and appointed a Panel on Defense Acquisition Reform to review the entire defense acquisition system. The committee expects the Panel to make recommendations leading to the enactment of additional major acquisition reform legislation this year.

Where appropriate, the committee includes legislation to improve government performance and defense contracting in the annual National Defense Authorization Act. For example, the Duncan Hunter National Defense Authorization Act for 2009 (Public Law 110-417)

included the "Clean Contracting Act of 2008" and the National Defense Authorization Act for 2008 (Public Law 110-181) included the Acquisition Improvement and Accountability Act of 2007. These Acts not only sought to reduce and eliminate waste, fraud, and abuse in defense contracting, many of their provisions applied to contracting throughout the federal government leading to efficiencies throughout the discretionary budget. The committee notes that the Administration has established a goal for all federal agencies of reducing spending for contracted services by seven percent in fiscal year 2011. The committee will work to provide the Department with the tools necessary to achieve this goal.

We appreciate the opportunity to express these views on behalf of the Committee on Armed Services. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to meet emerging threats and secure our national defense.

Very truly yours,

IKE SKELTON
Chairman

HOWARD P. "BUCK" McKEON
Ranking Member

cc: The Honorable Paul Ryan

IS/HM:jas

WILLIAM L. OWENS
23RD DISTRICT, NEW YORK

COMMITTEE ON ARMED SERVICES
AIR AND LAND FORCES
STRATEGIC FORCES

COMMITTEE ON
HOMELAND SECURITY
EMERGING THREATS, CYBERSECURITY AND
SCIENCE AND TECHNOLOGY
EMERGENCY COMMUNICATIONS
PREPAREDNESS AND RESPONSE

Congress of the United States
House of Representatives
Washington, DC 20515

PLEASE RESPOND TO
WASHINGTON OFFICE
☐ 2366 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-3223
(202) 225-4611
DISTRICT OFFICE
☐ 120 WASHINGTON STREET, SUITE 200
WATERTOWN, NY 13601-3370
(315) 782-3150
☐ 14 DURKEE STREET, SUITE 320
PLATTSBURGH, NY 12901-2998
(518) 563-1406

March 3, 2010

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As your committee begins the challenging work of determining the Department of Defense's FY2011 budget, I would like to emphasize an area of concern as a member of the House Armed Services Committee. In January of 2010, Army installations around the globe were told to expect cuts of 20-40% from their base operations budget. My district hosts Fort Drum, home of the 10th Mountain Division, and these cuts immediately resulted in hiring freezes, contract cancellations with businesses in the community, and overall reductions of services to soldiers either going to or coming from Afghanistan and Iraq. After contacting the Army about my concerns, $500 million was shifted to worldwide base operating funds from other operational accounts, negating further cuts but leaving many military communities uneasy about the future.

I ask that your committee carefully consider an adequate increase in the Army's FY2011 base operations support (BOS) budget beyond the very modest increase provided in the Defense Department's budget request. Such an increase would demonstrate this committee's support to our soldiers and the greater military communities that provide vital services in the defense of our nation.

Sincerely,

Bill Owens

BILL OWENS
Member of Congress

PRINTED ON RECYCLED PAPER

IKE SKELTON, MISSOURI, CHAIRMAN
JOHN SPRATT, SOUTH CAROLINA
SOLOMON P. ORTIZ, TEXAS
GENE TAYLOR, MISSISSIPPI
NEIL ABERCROMBIE, HAWAII
SILVESTRE REYES, TEXAS
VIC SNYDER, ARKANSAS
ADAM SMITH, WASHINGTON
LORETTA SANCHEZ, CALIFORNIA
MIKE McINTYRE, NORTH CAROLINA
ROBERT A. BRADY, PENNSYLVANIA
ROBERT ANDREWS, NEW JERSEY
SUSAN A. DAVIS, CALIFORNIA
JAMES R. LANGEVIN, RHODE ISLAND
RICK LARSEN, WASHINGTON
JIM COOPER, TENNESSEE
JIM MARSHALL, GEORGIA
MADELEINE Z. BORDALLO, GUAM
BRAD ELLSWORTH, INDIANA
PATRICK J. MURPHY, PENNSYLVANIA
HANK JOHNSON, GEORGIA
CAROL SHEA-PORTER, NEW HAMPSHIRE
JOE COURTNEY, CONNECTICUT
DAVID LOEBSACK, IOWA
JOE SESTAK, PENNSYLVANIA
GABRIELLE GIFFORDS, ARIZONA
NIKI TSONGAS, MASSACHUSETTS
GLENN NYE, VIRGINIA
CHELLIE PINGREE, MAINE
LARRY KISSELL, NORTH CAROLINA
MARTIN HEINRICH, NEW MEXICO
FRANK M. KRATOVIL, JR., MARYLAND
ERIC J.J. MASSA, NEW YORK
BOBBY BRIGHT, ALABAMA
SCOTT MURPHY, NEW YORK
DAN BOREN, OKLAHOMA

HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED ELEVENTH CONGRESS

HOWARD P. "BUCK" McKEON, CALIFORNIA
ROSCOE G. BARTLETT, MARYLAND
MAC THORNBERRY, TEXAS
WALTER B. JONES, NORTH CAROLINA
W. TODD AKIN, MISSOURI
J. RANDY FORBES, VIRGINIA
JEFF MILLER, FLORIDA
JOE WILSON, SOUTH CAROLINA
FRANK A. LoBIONDO, NEW JERSEY
ROB BISHOP, UTAH
MICHAEL TURNER, OHIO
JOHN KLINE, MINNESOTA
MIKE ROGERS, ALABAMA
TRENT FRANKS, ARIZONA
BILL SHUSTER, PENNSYLVANIA
CATHY McMORRIS RODGERS, WASHINGTON
K. MICHAEL CONAWAY, TEXAS
DOUG LAMBORN, COLORADO
ROB WITTMAN, VIRGINIA
MARY FALLIN, OKLAHOMA
DUNCAN HUNTER, CALIFORNIA
JOHN C. FLEMING, LOUISIANA
MIKE COFFMAN, COLORADO
THOMAS J. ROONEY, FLORIDA
TODD RUSSELL PLATTS, PENNSYLVANIA

ERIN C. CONATON, STAFF DIRECTOR

March 3, 2010

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, we are writing to provide additional perspectives on the views and estimates of the Committee on Armed Services with regard to the fiscal year 2011 funding allocations for the Defense Authorization bill. While many of the proposed policies in the budget request aim at getting our economy back on track, we write to emphasize the imperative of maintaining a strong national defense. We believe our long term domestic economic health relies upon sustaining our national defense requirements. We also support war time supplemental funding that provides the resources necessary to succeed in Iraq and deliver the capability required to win in Afghanistan

The President's Fiscal Year 2011 defense budget requests $708 billion for discretionary and war funding. This represents an increase of 3.4 percent from the previous year—or 1.8 percent real growth after inflation. While this is not the cut to the defense budget that many anticipated, we have concerns about this request.

We commend the Secretary of Defense for his laser focus on the wars in Iraq and Afghanistan, but believe efforts to make the Secretary's *balance initiative* a fixture in the Quadrennial Defense Review (QDR) and the out-year budget is short-sighted and puts the Defense Department on the wrong path for the next 20 years. Choosing to win in Iraq and Afghanistan should not mean our country must also choose to assume additional risk in the conventional national defense challenges of today and tomorrow.

As a result, we find a future-years defense plan and QDR that basically reinforce the status quo despite serious threats to our current capability. Thus, this future-years defense plan and QDR provide a force structure that is built for the wars we're in today, when the purpose of

the review is exactly the opposite – to prepare for the likely conflicts of tomorrow. If QDR is really a vision for the "defense program for the next 20 years", as the law requires, then why does the QDR lay out a force structure for the next five years – not to mention one that looks a lot like today's force? The QDR is supposed to shape the Department for 2029 – not describe the Pentagon in 2009.

Our concerns revolve primarily around one of the QDR's key mission areas: "deter and defeat aggression in anti-access environments." In our view, this is the mission area which should have driven the growth in size and capability of our air and naval forces. Yet, we cannot evaluate whether the QDR has the right force structure for this critical mission area, because it offers no clear force planning construct and abandons the two war strategy.

Oddly, the QDR seems to suggest that while this threat grows, we can make do with less than we previously thought. For example, the last stated Air Force requirement for fighters was 2,200, but the QDR now reflects a need for approximately 1,600 fighters. This reduction of approximately 600 fighters in the Air Force would seem to create a substantial increase in strategic risk and makes the dubious assumption that future conflicts will be like Iraq and Afghanistan where we have uncontested air dominance. Likewise, the budget does not appear to take any steps to mitigate the similar fighter shortfall in the Navy and Marine Corps.

Another example of inadequate force structure is in the area of missile defense where there is no indication that the Navy has increased the requirement or funding for large surface combatants to support its increasing role in the Ballistic Missile Defense (BMD) mission. The QDR maintains the requirement for large surface combatants at approximately 88. This requirement was established in 2006, at which time there was no BMD mission for these vessels. We have since received testimony that perhaps dozens more surface combatants could be required to perform this mission on top of the ships' other existing missions. How does this budget request meet the President's new European missile defense plan or the other regional missile defense needs called for in the Ballistic Missile Defense Review? Our fear is that the Department plans to harvest these assets from an already under-resourced Navy. In fact, the Navy's long-range shipbuilding plan acknowledges that the Navy will have to consider redistributing these assets away from current missions.

When one considers the dynamic threat environment and the gaps in our capability, the need for more investment in our national defense becomes critical. The QDR seems to continue the trend—as we saw in the previous budget cycle—where military requirements seem to disappear by overstating our capability. Vladimir Putin's recent announcement of Russia's intent to field a new strategic bomber is a clear example of why we cannot afford adopt the QDR's short-sighted approach to our national defense. At some point, decisions, such as the decision to terminate the Next Generation Bomber, will catch up to us. The fact is we live in a world where our enemies and adversaries strive to do us harm. This reality warrants a higher top line just to maintain our qualitative edge. Simply shifting into neutral, as the budget request would do, puts America at risk.

Finally, the request includes a $350 million transfer fund to finance all aspects of detainee operations at the U.S. Naval Station in Guantanamo Bay, Cuba, **or** the Thomson

Correctional Center in Thomson, Illinois. In our view, the flexible transfer authority sought in this request reflects the overall problem with this Administration's detainee policy – there is no clear policy on how we will handle the detainees held at GTMO. Our view is clear: this Congress should not support authorizing funds for a facility which will hold GTMO detainees in the United States.

We appreciate the opportunity to express these additional views. We look forward to working with you and the members of the Committee on the Budget to construct a budget plan that reflects our commitment to resource the wars in Iraq and Afghanistan and sustain our national defense requirements.

Sincerely,

HOWARD P. "BUCK" McKEON
Ranking Member

cc: The Honorable Paul Ryan

Mary Fallin

Cathy McMorris Rodgers

Robert J. Wittman

John Kline

John Fleming

Doug Lamborn

Bill Shuster

Joe Wilson

Tom LoBiondo

MAC THORNBERRY
13TH DISTRICT
TEXAS

Congress of the United States

House of Representatives

ARMED SERVICES COMMITTEE

PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

March 3, 2010

The Honorable John Spratt
Chairman, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Paul Ryan
Ranking Member, Committee on the Budget
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Spratt and Ranking Member Ryan:

In accordance with the applicable provisions of the Budget Act of 1974 and House Rule X, clause 4(f) of the Rules of the House of Representatives, I am forwarding my additional views regarding the national defense budget function (050) for fiscal year 2011.

I am pleased to note that the President's fiscal year 2011 budget requests $11.2 billion for the National Nuclear Security Administration (NNSA). This reflects a $1.3 billion increase, an additional 13.5% from enacted levels for fiscal year 2010, and represents a significant increase during a tight fiscal environment. Despite the additional funds for NNSA in fiscal year 2011, the budget allotted to the nuclear weapons complex does not make the necessary investments to address sustainment and modernization needs of the production sites within the nuclear weapons complex necessary to ensure a safe, secure, effective, and reliable stockpile.

As you know, a majority of America's nuclear weapons complex was built in the mid-twentieth century as part of the Manhattan Project. Modernization of the complex has not kept pace with basic needs and technological advancement. Instead, the complex has been perennially underfunded in numerous Presidential budget requests resulting in less than adequate Congressional appropriations. In 2009, the report of the Congressional Commission on the Strategic Posture of the United States characterized the facilities and physical infrastructure of our nuclear weapons complex, "genuinely decrepit."

The Administration's Nuclear Posture Review, coupled with the Strategic Arms Reduction Treaty, is expected to reduce the number of U.S. nuclear weapons. Such reductions require that our production plants have a well-maintained infrastructure and workforce to accommodate the increased workload, physically dismantle the nuclear weapons, dispose of their components, and securely store nuclear material. However, nuclear weapons dismantlement and disposition activities are not increased in the budget request commensurate with planned force reductions. In fact, the budget requests 40 percent less than was appropriated last year. Additionally, funding to modernize the security infrastructure and recapitalize key production capabilities necessary to support an increased workload at the production plants is either insufficient or non-existent in the fiscal year 2011 request.

905 SOUTH FILLMORE STREET, SUITE 520
AMARILLO, TX 79101-3541
PHONE 806-371-8844
FAX 806-371-7044

2209 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-4313
PHONE: 202-225-3706
FAX 202-225-3486

4245 KEMP BOULEVARD, SUITE 506
WICHITA FALLS, TX 76308-2829
PHONE 940-692-1700
FAX: 940-692-0539

www.house.gov/thornberry

The Pantex plant—the central node of the complex for weapons dismantlement and life extension program production—serves as a case-in-point. The fiscal year 2011 budget request underfunds Pantex plant requirements by approximately $125 million. Most of the funding deficiency is in operations, facilities maintenance, and construction. These one-year needs of a single NNSA complex site could easily consume 8% of that additional $1.3 billion requested for NNSA in fiscal year 2011.

While the increase in resources for the nuclear weapons complex and the underpinning science base is welcome, it does not appear to go far enough to sustain, maintain, and modernize all aspects of the complex. A modern complex is necessary if we are to meet the President's goal of reducing our stockpile and ensuring that our remaining weapons are safe, secure, reliable, and effective. Please keep this information in mind as you set the annual 302(a) allocations for standing committees in the House. Thank you for your consideration.

Sincerely,

Mac Thornberry
Member of Congress

WMT/mc

IKE SKELTON, MISSOURI, CHAIRMAN
JOHN SPRATT, SOUTH CAROLINA
SOLOMON P. ORTIZ, TEXAS
GENE TAYLOR, MISSISSIPPI
NEIL ABERCROMBIE, HAWAII
SILVESTRE REYES, TEXAS
VIC SNYDER, ARKANSAS
ADAM SMITH, WASHINGTON
LORETTA SANCHEZ, CALIFORNIA
MIKE McINTYRE, NORTH CAROLINA
ROBERT A. BRADY, PENNSYLVANIA
ROBERT ANDREWS, NEW JERSEY
SUSAN A. DAVIS, CALIFORNIA
JAMES R. LANGEVIN, RHODE ISLAND
RICK LARSEN, WASHINGTON
JIM COOPER, TENNESSEE
JIM MARSHALL, GEORGIA
MADELEINE Z. BORDALLO, GUAM
BRAD ELLSWORTH, INDIANA
PATRICK J. MURPHY, PENNSYLVANIA
HANK JOHNSON, GEORGIA
CAROL SHEA-PORTER, NEW HAMPSHIRE
JOE COURTNEY, CONNECTICUT
DAVID LOEBSACK, IOWA
JOE SESTAK, PENNSYLVANIA
GABRIELLE GIFFORDS, ARIZONA
NIKI TSONGAS, MASSACHUSETTS
GLENN NYE, VIRGINIA
CHELLIE PINGREE, MAINE
LARRY KISSELL, NORTH CAROLINA
MARTIN HEINRICH, NEW MEXICO
FRANK M. KRATOVIL, JR., MARYLAND
ERIC J. J. MASSA, NEW YORK
BOBBY BRIGHT, ALABAMA
SCOTT MURPHY, NEW YORK
DAN BOREN, OKLAHOMA

HOUSE COMMITTEE ON ARMED SERVICES

U.S. House of Representatives

Washington, DC 20515–6035

ONE HUNDRED ELEVENTH CONGRESS

HOWARD P. "BUCK" McKEON, CALIFORNIA
ROSCOE G. BARTLETT, MARYLAND
MAC THORNBERRY, TEXAS
WALTER B. JONES, NORTH CAROLINA
W. TODD AKIN, MISSOURI
J. RANDY FORBES, VIRGINIA
JEFF MILLER, FLORIDA
JOE WILSON, SOUTH CAROLINA
FRANK A. LoBIONDO, NEW JERSEY
ROB BISHOP, UTAH
MICHAEL TURNER, OHIO
JOHN KLINE, MINNESOTA
MIKE ROGERS, ALABAMA
TRENT FRANKS, ARIZONA
BILL SHUSTER, PENNSYLVANIA
CATHY McMORRIS RODGERS, WASHINGTON
K. MICHAEL CONAWAY, TEXAS
DOUG LAMBORN, COLORADO
ROB WITTMAN, VIRGINIA
MARY FALLIN, OKLAHOMA
DUNCAN HUNTER, CALIFORNIA
JOHN C. FLEMING, LOUISIANA
MIKE COFFMAN, COLORADO
THOMAS J. ROONEY, FLORIDA
TODD RUSSELL PLATTS, PENNSYLVANIA

ERIN C. CONATON, STAFF DIRECTOR

March 3, 2010

The Honorable John Spratt
Chairman
House Budget Committee
207 Cannon House Office Building
Washington, D.C. 20515

The Honorable Paul Ryan
Ranking Member
House Budget Committee
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Spratt and Rep. Ryan:

We write to provide additional perspectives on the views and estimates of the Committee on Armed Services with regard to the fiscal year 2010 funding allocations for the Defense Authorization bill. We ask you to consider sufficient discretionary and mandatory spending allocations so the House Armed Services Committee could pass several key measures.

Those measures are:

- Retroactive credit for early retirement of service performed by all reservists deployed on or after September 11, 2001. This measure will reduce the age of receipt for retired pay for members of the reserve component by three months for every 90 days spent on active duty by individuals called to active duty after September 11, 2001. A similar provision for Guardsmen and Reservists was enacted into law in the FY2008 National Defense Authorization Act (NDAA). Unfortunately, this provision was not retroactive and did not benefit all Guardsmen and Reservists that have answered the call of duty since 9/11. Since 2001, Guardsmen and Reservists have helped our nation meet the challenges in Iraq and Afghanistan, and led the rescue efforts in the aftermath of Hurricane Katrina, all with the highest level of professionalism, and it is our responsibility to correct this inequity in benefits.

- An enhanced raise of 1.9 per cent in military basic pay. As you are aware, the pay comparability gap between the average American and military members performing similar jobs rose to 13.5 percent in 1999. Because of efforts by Congress and the Executive Branch, the "pay gap" has been reduced to 2.4 percent as of January 2010. To preserve the Armed Forces' retention and readiness, we must ensure the disparity between military and civilian

pay is eliminated completely. Your support of a modest 1.9 percent pay increase for 2011 will ensure our military members move one step closer to an equitable pay scale.

- Authorization of full concurrent receipt of the military disability retired pay and the disability payments made by the Veterans Administration. This measure is supported by President Obama, and is part of the ongoing effort to gradually repeal the law requiring disabled military retirees to forfeit a dollar of military retired pay for every dollar received in veterans disability compensation.

- Repeal of the so-called widow's tax – the offset now required for receipt of annuities under the Survivor Benefit Plan (SBP) and Dependency Indemnity Compensation (DIC). Rep. Solomon Ortiz has introduced legislation to this effect, H.R.775, repealing the provisions of Title 10 which require the offset of DIC payments from SBP annuities. H.R.775 has 316 cosponsors, an overwhelming bipartisan number of Members, and I hope you will support actions to repeal the widow's tax in the NDAA for fiscal year 2011.

- Extending eligibility for the full range of TRICARE benefits to reserve component members who retire before age 60 and are drawing military retired pay. Simply put, we must eliminate the dubious requirement that a member or former member of the Armed Forces entitled to retired pay for reserve service be at least 60 years of age before being eligible for medical and dental care in a military health care facility.

Finally, we urge the Budget Committee to refrain from establishing so-called reserve finds for various high priority initiatives for which the Budget Resolution failed to provide funding allocations, unless the language actually gives the Budget Committee chairman the authority to reapportion allocations. The previous language establishing these reserve funds appeared to give the Budget Committee Chairman such authority. However, the truth of the matter was the reserve funds provided no reserve at all. According to the Budget Committee's interpretation of the language, the Budget Committee chairman could support projects as long as the committee proporing the initiative provided the mandatory spending offsets from within its own jurisdiction to find the initiative. That requirement is no different from regular order. As a result, the reserve fund authority was deceptive, illusory and ineffective.

Thank you for considering these proposals. We would be happy to discuss them further with you if you desire.

Sincerely,

Joe Wilson
Ranking Member
Military Personnel Subcommittee

Mary Fallin

John Kline

Walter B. Jones

MAJORITY MEMBERS

GEORGE MILLER, CALIFORNIA, Chairman

DALE E. KILDEE, MICHIGAN, Vice Chairman
DONALD M. PAYNE, NEW JERSEY
ROBERT E. ANDREWS, NEW JERSEY
ROBERT C. "BOBBY" SCOTT, VIRGINIA
LYNN C. WOOLSEY, CALIFORNIA
RUBEN HINOJOSA, TEXAS
CAROLYN McCARTHY, NEW YORK
JOHN F. TIERNEY, MASSACHUSETTS
DENNIS J. KUCINICH, OHIO
DAVID WU, OREGON
RUSH D. HOLT, NEW JERSEY
SUSAN A. DAVIS, CALIFORNIA
RAUL M. GRIJALVA, ARIZONA
TIMOTHY H. BISHOP, NEW YORK
JOE SESTAK, PENNSYLVANIA
DAVID LOEBSACK, IOWA
MAZIE HIRONO, HAWAII
JASON ALTMIRE, PENNSYLVANIA
PHIL HARE, ILLINOIS
YVETTE D. CLARKE, NEW YORK
JOE COURTNEY, CONNECTICUT
CAROL SHEA-PORTER, NEW HAMPSHIRE
MARCIA FUDGE, OHIO
JARED POLIS, COLORADO
PAUL TONKO, NEW YORK
PEDRO R. PIERLUISI, PUERTO RICO
GREGORIO KILILI CAMACHO SABLAN,
N. MARIANA ISLANDS
DINA TITUS, NEVADA
JUDY CHU, CALIFORNIA

COMMITTEE ON EDUCATION AND LABOR
U.S. HOUSE OF REPRESENTATIVES
2181 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6100

MINORITY MEMBERS

JOHN KLINE, MINNESOTA,
Senior Republican Member

THOMAS E. PETRI, WISCONSIN
HOWARD P. "BUCK" McKEON, CALIFORNIA
PETER HOEKSTRA, MICHIGAN
MICHAEL N. CASTLE, DELAWARE
MARK E. SOUDER, INDIANA
VERNON J. EHLERS, MICHIGAN
JUDY BIGGERT, ILLINOIS
TODD RUSSELL PLATTS, PENNSYLVANIA
JOE WILSON, SOUTH CAROLINA
CATHY McMORRIS RODGERS, WASHINGTON
TOM PRICE, GEORGIA
ROB BISHOP, UTAH
BRETT GUTHRIE, KENTUCKY
BILL CASSIDY, LOUISIANA
TOM McCLINTOCK, CALIFORNIA
DUNCAN D. HUNTER, CALIFORNIA
DAVID P. ROE, TENNESSEE
GLENN THOMPSON, PENNSYLVANIA

March 4, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
209 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Spratt:

Pursuant to section 301 (d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), enclosed please find the FY 2011 Views and Estimates for the Committee on Education and Labor, with Minority Views and Estimates attached. If you have any questions, please feel free to contact me at your convenience.

Sincerely,

George Miller

GEORGE MILLER
Chairman

Views and Estimates for FY 2011
Committee on Education and Labor
111th Congress, 2nd Session
March 5, 2010

During the first session of the 111th Congress the work of the Committee on Education and Labor focused on rebuilding and strengthening America's middle class. In this effort, the Committee passed legislation and conducted oversight aimed at strengthening initiatives that improve public schools, make college more affordable, ensure health care is affordable and accessible to everyone, provide equal employment opportunities, create and save jobs, improve retirement security, and make workplaces safer and healthier.

In compliance with reconciliation instructions from the Budget Committee, the Committee passed legislation to increase college affordability and ensure affordable and accessible health care for all. In responding to the skyrocketing costs of college, the Student Aid and Fiscal Responsibility Act (SAFRA) will provide nearly $87 billion in assistance for students and families. This $87 billion in funding increased Pell Grants; cut student loan interest rates; strengthened and expanded Perkins Loans; and simplified the FAFSA. The bill carried no new cost for taxpayers, and directly responded to the struggle that many of America's low-and middle-income families have gone through to cope with rising college tuition while stabilizing the student loan program.

On health care, the Committee, along with the Ways and Means and Energy and Commerce Committees passed the Affordable Health Care for America Act, which embodies President Obama's key goals for health reform. It will slow the growth in out-of-control costs, reform the health care marketplace to keep coverage affordable and insurers honest, protect people's choices of doctors and health plans, and assure all Americans access to quality, stable, affordable health care. The Committee is committed to working toward meaningful health care reform in the 111th Congress and believes we must insist on affordable health care coverage for every person as a key to fair, sustainable, long-term economic growth.

The Committee also spearheaded key education and labor provisions in the American Recovery and Reinvestment Act (ARRA) that resulted in increased resources for education and training. The ARRA provided $43.5 billion, through the State Fiscal Stabilization Fund, in state fiscal relief for education and public safety and health. In addition, the law targeted investments in education that were critical to job creation and retention. It is estimated that the funding received by the Department of Education alone was instrumental in supporting 400,000 jobs, including teachers, principals, corrections officers and construction workers. The ARRA further aided in slowing the acceleration of job losses in this country, which at its height was estimated to be 2.5 million layoffs each month, and in October 2009 had slowed to 2.1 million. The ARRA will continue to help put our economy back on the road to recovery.

During the second session of the 111th Congress, the Committee will continue to pursue an ambitious education and workforce agenda focused on enhancing opportunities to join and strengthen America's middle class. The Committee will work to advance initiatives that ensure higher quality public schools, make college more affordable, and provide better and higher-paying employment opportunities and retirement security. The Committee looks forward to working with the Obama Administration to provide the resources needed to meet the education, training, and employment needs of all Americans.

EDUCATION PRIORITIES

Elementary and Secondary Education

No Child Left Behind Act (NCLB)

The Department of Education's FY 2011 budget contains an outline of its Elementary and Secondary Education Act (ESEA)/No Child Left Behind Act (NCLB) reauthorization proposal, including policy and budgetary changes. A significant part of the proposal is to reconfigure the ESEA into 6 new titles, including changes to title names, and to consolidate 38 programs into 11 new programs. During the remainder of the 111th Congress, the Committee will continue working with the Administration toward the full reauthorization of the ESEA and it remains committed to enhancing provisions of the law that work and correcting problematic provisions.

Title I

The largest program in NCLB is the Title I program. This program provides additional assistance to help schools educate the most disadvantaged children and is the main federal effort aimed at closing the achievement gap among groups of students. The FY 2011 budget proposes to change Title I "Grants to LEAs" to "College-and-Career Ready Students," with a greater focus on standards, assessments, and accountability, and preparing students for college or the workforce upon completion of high school. The budget proposes level funding, $14.5 billion, for this effort. The Committee looks forward to working with the Administration on both its budget and reauthorization proposals for Title I.

The Individuals with Disabilities Education Act (IDEA)

The Committee remains committed to meeting the needs of individuals with disabilities in education. The Individuals with Disabilities Education Act (IDEA) requires schools to provide students with disabilities a free appropriate public education, and authorizes funding for the expenses related to providing services and support to these students. The budget proposes a modest increase of $250 million for special education programs which would maintain the federal share for special education at approximately 17 percent. During the second session of the 111th Congress, the Committee will continue to advance the federal investment in the education of children with disabilities. The Committee will work to ensure schools have adequate resources to support the free appropriate public education guaranteed by IDEA to children with disabilities.

Postsecondary Education

The increasing cost of obtaining a postsecondary education continues to be a major concern for the Committee. In the past few years, the weakened economy and federal budget cuts have shifted the burden of higher tuition prices to college students and their families. The average tuition and fees at four-year public colleges and universities have risen 18.5 percent, when adjusted for inflation, over the last five years. The typical student now graduates with $17,500 in total federal student loan debt. According to past estimates from the Department of Education, as many as 200,000 would-be students are forced to delay attending, or to forgo attending college altogether, due to the cost. Building on the success of the 110th Congress with the passage of the Higher Education Opportunity Act, the College Cost Reduction and Access Act, and the Ensuring Continued Access to Student Loans Act, the Committee on Education and Labor passed the Student Aid and Fiscal Responsibility Act (SAFRA) to ensure access to an affordable college education.

SAFRA makes several changes to improve higher education access by:

- Converting all new federal student lending to the stable, effective and cost-efficient Direct Loan program;
- Investing $40 billion to index the maximum annual Pell Grant award to the cost of inflation;
- Expanding and modernizing the Perkins Loan program to include significantly more college campuses;
- Making it easier for families to apply for financial aid by simplifying the number of questions on the FAFSA and allowing students and families to apply for aid using the information on their tax returns; and
- Providing historic investments in early learning programs, public school renovation and repair and community colleges.

Modernization of the Federal Student Aid System

The Committee recently spearheaded efforts to increase efficiencies and to ensure that federal student loans remained available to all qualified students, despite the crisis in the credit market. As a result of programs established under the Ensuring Continued Access to Student Loans Act and the Direct Loan Program, over 88 percent of Federal student loan volume in the 2008-2009 academic year was financed through capital provided by the Department of Education; current estimates indicate this figure will be 85 percent for 2009-2010.

The Committee, through its oversight and the SAFRA, intends to continue working with the Administration to further increase the efficiency of these systems for taxpayers while providing certainty for students, families, and institutions that federal student loans will remain available regardless of the economic environment.

Pell Grants

Pell Grants remain a top priority for the Committee. The Pell Grant program serves as the foundation for securing the federal goal of equal access to postsecondary education for all qualified students. Each year, more than 7 million students receive a Federal Pell Grant bringing them one step closer to achieving their educational goals. The College Cost Reduction and Access Act provided mandatory funding to increase the maximum Pell Grant award above discretionary funding and the SAFRA indexed the maximum award to inflation. The Committee is dedicated to maintaining the Pell Grant increase at an estimated level of $5,710. Additionally, the Committee will work with the Administration to create future safeguards to protect families against the rising costs of higher education, especially students from low income families.

Minority-Serving Institutions, GEAR-UP, TRIO, and students with disabilities

The Committee also believes we need to provide additional funding for minority-serving institutions as well as GEAR-UP, TRIO, and programs for students with disabilities. These programs provide much needed access to students from traditionally underserved populations – expanding and enhancing the programs is of critical importance. It is our intent that these programs remain major forces in increasing access to postsecondary education in the coming years. With that intent in mind, the Committee included mandatory funding for minority-serving institutions in the SAFRA to supplement existing funding, not to supplant funding. The Committee believes that discretionary funding should continue for these institutions in addition to the mandatory funding expected with the passage of the SAFRA. Additionally, the Committee supports efforts to develop and expand graduate programs at minority-serving institutions. Such programs were included in the Higher Education Opportunity Act.

Campus-Based Aid

The Committee believes that funding for programs at the campus level is important to ensure that students continue to receive the necessary financial support in order to remain in school. Perkins Loans, Work-Study, and Supplemental Educational Opportunity Grants (SEOG), have all functioned in this capacity to provide support to students. The Committee believes these programs should remain viable in order for them to continue supporting student access to higher education. Additionally, the Committee remains committed to modernizing the Perkins loan program as outlined in the SAFRA.

Innovation – Competes Act

The Committee will continue its focus to encourage the study, improvement, and up scaling of successful innovations in education. With the support signaled by commitments from the Administration's FY2011 budget proposal, the Committee will continue to encourage further development of science, technology, engineering and math (STEM) education initiatives and teacher development programs in those areas. The Committee anticipates that it will work with the Science Committee as it prepares to reauthorize the COMPETES Act.

EARLY EDUCATION

Children's experiences in the first five years of life have a lasting effect on their learning, health, and behavior. Parents and family are children's most important teachers but high quality early learning programs provide a key opportunity to help all children arrive at kindergarten with the skills they need to succeed in school and in life. Nearly 12 million American children under 5 regularly spend time in child care arrangements but research suggests many of these programs are mediocre in quality and the high price of child care keeps many families from accessing high-quality programs. Research shows the achievement gap evident in elementary school begins prior to school entry and can even be seen at 9 months of age. President Obama has emphasized the importance of early learning opportunities by emphasizing a "cradle to career" approach to education reform and by supporting critical investments in early learning in the SAFRA and proposing continued investment in the FY 2011 budget. During the second session of the 111th Congress, the Committee looks forward to continuing to support the reform of early education systems in this country through the Early Learning Challenge Fund in the Student, Head Start, and the Child Care Block and Development Grant so that all children have access to high quality early learning opportunities.

NUTRITION

The budget request for federal child nutrition programs authorized through the National School Lunch Act and the Child Nutrition Act includes $1 billion in FY 2011 specifically for the reauthorization of these programs. The Committee will work to improve access to nutritious meals; establish high standards for the nutritional quality of food available in schools; explore new strategies for reducing hunger and improving children's food choices, particularly for low-income children; and reducing the prevalence of obesity by improving the diets of school children by teaching them to make wise food choices. The Committee is also dedicated to pursuing an aggressive agenda to improve the safety of foods served in school settings. While schools generally have a strong record on providing safe school meals, the Committee has become increasingly concerned by the numerous ground beef recalls from the commercial market and has worked to fully examine the integrity of the system responsible for ensuring that contaminated products are not being served to children. The Committee believes access to affordable, safe and healthier meals should be the rule – not the exception – for children and families across the nation.

JUVENILE JUSTICE

During the second session of the 111th Congress, the Committee will work to secure adequate funding for our nation's juvenile justice programs. The Office of Juvenile Justice and Delinquency Prevention (OJJDP) oversees, evaluates, and monitors juvenile justice throughout the country. OJJDP grant programs reduce gang activity, assist victims of child abuse and support community-based delinquency prevention.

PREVENTING HARMFUL RESTRAINT AND SECLUSION IN SCHOOLS ACT

The Keeping All Students Safe Act (formerly known as the Preventing Harmful Restraint and Seclusion in Schools Act) is the first national effort to address this troubling problem and ensure

the safety of everyone involved – both students and school staff. It would establish minimum safety standards in schools and increase transparency, oversight and enforcement to prevent future abuse, among other things. A recent investigation by the U.S. Government Accountability Office found hundreds of allegations that children have been abused, and some even died, as a result of misuses of restraint and seclusion in public and private schools, often at the hands of untrained staff. Unlike in hospitals and other medical and community-based facilities that receive federal health funding, there are currently no federal laws addressing restraint and seclusion in schools. On February 4, 2010, the Committee passed this bill with a vote of 34 to 10 to ensure the safety of children and teachers.

NATIONAL SERVICE

Americans' interest in volunteering is at an all time high. In 2008, over 61 million adults performed 8 billion hours of volunteer service. According to a report by the Corporation for National and Community Service, from 2002 to 2007 the number of volunteers across the country grew by more than a million. The Edward M. Kennedy Serve America Act, which was signed into law on April 21, 2009, supports the growing trend in volunteerism and creates new opportunities for individuals to give back to their communities.

The FY 2011 budget request for the Corporation for National and Community Service is $1.4 billion which is a $264 million increase over the previous year. The budget proposal would increase the number of national service participants to approximately 105,000 in FY 2011 - an increase of roughly 20,000 over the planned FY 2010 level. This includes 2,000 Summer of Service participants who will earn and education award. Specifically, the budget proposes: $488 million for AmeriCorps State and National Grants; $34.5 million for AmeriCorps NCCC; and $98 million for AmeriCorps VISTA.

The budget also requests funding for the following newly authorized programs in the Serve America Act: $60 million for the Social Innovation Fund; $10 million for Volunteer Generation Fund; $1.0 million for Service America Fellowships; and $6.0 million for Unspecified Innovation activities. The Committee is committed to continue strengthening national service programs for generations to come.

LABOR PRIORITIES

During the second session of the 111th Congress, the Committee will continue to: protect and strengthen workers' rights; improve workplace safety; strengthen enforcement of labor laws that are already on the books; help workers balance the demands of work and family; and look for ways to make health care affordable and accessible for everyone. The Committee wants to ensure that individuals have employment opportunities that are safe and provide a fair and just wage, and can adequately plan for their retirement.

Health Care Accessibility and Affordability

For the first time in U.S. history, all Americans would have access to quality, affordable health care under updated health insurance reform legislation passed by the House on November 7, 2009.

The Affordable Health Care for America Act, which combined the three versions of previous bills passed by the House committees of jurisdiction during the summer, embodies President Obama's key goals for health reform. It will slow the growth in out-of-control costs, reform the health care marketplace to keep coverage affordable and insurers honest, protect people's choices of doctors and health plans, and assure all Americans access to quality, stable, affordable health care. The Committee is committed to working toward meaningful health care reform in the 111th Congress and believes we must insist on affordable health care coverage for every person as a key to fair, sustainable, long-term economic growth.

Job Training

Last year, Congress passed the American Recovery and Reinvestment Act (ARRA), which included funding for job training. Specifically, ARRA provided nearly $4 billion to prepare adult, youth and dislocated workers for green jobs, and other emerging industries, including training for retrofitting buildings, green construction and production of renewable energy. ARRA also provided $1.2 billion to create job opportunities for younger Americans. Last summer, this funding employed over 300,000 young people. The Committee will continue to work to ensure that our workforce development system meets the needs of the country's workers, particularly those who are unemployed and need training to reenter the labor market.

Guest Worker Programs

The Committee is committed to protecting job opportunities for U.S. workers, ending abuse of foreign guest worker programs, and eliminating the adverse effects such abuse has on U.S. workers' terms and conditions of employment. On February 12, 2010, the Employment and Training Administration and the Wage and Hour Division of the Department of Labor published a Final Rule amending the 2008 regulations governing the labor certification process under the H-2A temporary agricultural worker program. The new rule restores wage rates that protect against adverse effects on U.S. workers. It also restores the critical oversight role of state workforce agencies in ensuring the proper recruitment of U.S. workers and institutes a number of important protections to reduce abuse of the program and the workers involved. The Committee notes that reform of the H-2B temporary non-agricultural worker program is on the Department's regulatory agenda and urges the Department to make necessary reforms to end abuse in that program as well. Both administrative and legislative reforms are critical to making these guest worker programs, and the foreign labor recruiting that supplies workers to these programs, just and fair for the parties involved, including U.S. workers.

Wage and Hour Division

Wage theft remains a disturbing and unacceptable problem in the U.S. – workers not being paid their wages, not being paid overtime pay, or otherwise being misclassified by their employers as exempt from coverage under the Act. The Committee has conducted intensive oversight in this

area, including commissioning investigations by the Government Accountability Office, which in 2008 and 2009 found the prior Administration's performance in enforcing workers' wage and hour rights to be in need of serious improvement. One problem exacerbated over many years has been insufficient staffing and resources committed to wage and hour enforcement. To begin addressing this issue, last year the Wage and Hour Division hired 250 new investigators. The Committee remains committed to ensuring that there is a greater emphasis on effective enforcement of the law, which includes a continued commitment to adequate funding, staffing, and training of investigators and other enforcement staff in the field as well as greater outreach and communication with communities and vulnerable populations where labor law violations may otherwise go unaddressed. Sufficient staffing for enforcement purposes also means sufficient staffing in the Solicitor's Office. The work of field staff in enforcing the law can be for naught without sufficient legal support. Further, the Committee will continue to examine legislative solutions to the problems of wage theft and misclassification of workers.

International Labor Affairs Bureau (ILAB)

As the American economy has become more global and the United States has entered into more and more multilateral and bilateral trade agreements, the labor standards of other countries have an increasingly direct impact on American workers. The Committee notes the Department of Labor's renewed emphasis on the role of the Bureau of International Labor Affairs in its mission of good jobs for everyone. The Committee will work to ensure ILAB is able to carry out its important functions, including monitoring and enforcing trade agreements to protect workers' rights and engaging in international trade and economic policy processes.

Family and Medical Leave Act

Research indicated women continue to enter the workforce in record numbers and families in which both parents work remain the norm. Parents and their children periodically need workplace flexibility to deal with predictable and unexpected family and medical needs and the Family and Medical Leave Act was enacted in 1993 to provide this protection. The Committee intends to continue its oversight of the Family and Medical Leave Act, particularly new regulations issued toward the end of the Bush Administration that narrowed some worker protections under the Act. In addition, the FY 2011 budget includes $50 million to provide grants to states that seek to create state based paid leave programs. The Committee expects to review and consider this and related proposals to enhance family and medical leave support programs for working families.

Mine Safety and Health Administration (MSHA)

The Committee believes funding for MSHA should be increased on an annual basis to ensure there are adequate resources for it to meets its statutory mandate to inspect every underground mine four times per year and every surface mine at least twice per year. Following a series of coal mine tragedies in 2005 and 2006, MSHA increased its enforcement efforts, established a progressive enforcement regime, and Congress established higher minimum penalties as part of the MINER Act of 2006. MSHA's penalty assessments have grown exponentially since 2006. In response to higher penalties, mine operators have decided to contest 67% of every penalty

assessed, thereby leading to a backlog of 16,000 enforcement dockets at the Federal Mine Safety and Health Review Commission (FMSHRC). Absent additional funds it is estimated this backlog will grow to 47,000 by 2020. MSHA will need to increase staffing to support a faster throughput of cases before FMSHRC. Additionally, MSHA has initiated a program to eliminate black lung disease amongst coal miners, but has not established a schedule to complete timely rulemaking. The Committee reiterates that MSHA performs critical duties that go beyond mandatory inspections, and urges that the budget and appropriations adequately reflect these needs.

Occupational Safety Health Administration (OSHA)

OSHA's mission is to assure to the extent possible, safe and healthy working conditions for all workers. This program is particularly important for immigrant workers who suffer a high number of injuries and fatalities. OSHA has proposed a regulatory agenda to protect workers from explosion hazards caused by combustible dust, and to reduce occupational exposure to beryllium, silica, diacetyl and airborne transmissible diseases. To implement this agenda OSHA will need increased funding. OSHA is also proposing to shift resources from compliance assistance into enforcement. The Voluntary Protection Program (VPP) which certifies establishments with exemplary safety programs and low injuries rates, is consuming an increasing amount of agency resources. The Committee believes that a voluntary industry certification program, such as VPP, should be funded through a user fee, and plans to work on establishing authority for augmenting the OSHA budget through a fee based system. Funding should be targeted towards the least safe workplaces.

National Institute for Occupational Safety and Health (NIOSH)

This agency performs critical scientific and technical research for both MSHA and OSHA, and provides the scientific basis for compensation decisions related to radiation exposure at nuclear weapons facilities under the Energy Employees Occupational Illness Compensation Program Act. While the agency has received funding boosts in connection with technology to improve the survivability of miners trapped in underground mine accidents, critical parts of this work remain in need of continued funding, including human testing of underground refuge chambers. To help reduce black lung disease, NIOSH requires resources to evaluate scrubbing equipment that will reduce respirable dust levels in coal mining. With regards to emerging technology, NIOSH is the only federal agency examining the health and safety impact of nanotechnology. NIOSH will need additional resources to conduct research and risk assessments on exposure levels that would form the basis for updating OSHA Permissible Exposure Limits.

Federal Mine Safety and Health Review Commission

FMSHRC provides administrative and appellate review of disputed mine safety enforcement cases and employee retaliation cases under the Mine Act. As MSHA increased its enforcement efforts over the past 3 years, mine operators increased their contest rate from 7% to 25% of all citations issued. FMSHRC's backlog of cases has grown from 2,100 to 16,000 cases, with an estimated $195 million in penalties being contested. Additional funding is needed to hire Administrative Law Judges to reduce the number of contested cases in a reasonable amount of time.

Office of Labor-Management Standards

Under the Bush Administration, the Department of Labor repeatedly and disproportionately shifted scarce budget resources from other labor programs, such as health and safety and wage and hour enforcement, to the Office of Labor-Management Standards (OLMS), which collects, publishes, audits, and investigates labor union finances. Over the past year, new Department leadership has worked to rebalance resources in more efficient and effective ways that maintain strong enforcement and oversight activity at OLMS while increasing capacity in other offices in dire need of resources. During the second session of the 111th Congress, the Committee will work to ensure resources benefit workers' welfare and effectively serve the purpose of the Labor Management Reporting and Disclosure Act.

Employee Benefit Security Administration (EBSA)

More than 170 million Americans depend on employer-provided benefits for their health care and retirement security. Especially in times of economic transition and turmoil, these benefits are a critical lifeline for workers and retirees. At the same time, employers are shifting away from benefit promises that were made in more economically stable times. In 2009, Congress created a special 65% subsidy for unemployed workers who are eligible for COBRA health benefits. This subsidy program has been a critical source of support for tens of thousands of unemployed workers. The Committee intends to continue to monitor and ensure that unemployed workers can maintain needed health, retirement and other benefits.

In addition, the Committee will continue to work with the Department of Labor to update and expand Department efforts to provide guidance to employers and employees on employee benefits. In particular, the Committee has identified a number of problem areas, including lack of fee transparency in 401(k) plans, excessive reliance on inappropriate target date retirement funds, widespread conflicts of interest in the provision of plan services, and self-interested provision of investment advice to pension plan participants. The Department must issue a number of critical worker protection regulations on investment advice, fee transparency, mental health parity, etc. The Committee will oversee the work of EBSA and consider needed legislation to improve employee benefit protection in these areas.

Equal Employment Opportunity Commission (EEOC)

The Equal Employment Opportunity Commission (EEOC) plays a critical role in promoting equal opportunity in the workplace and enforcing federal laws prohibiting employment discrimination. The Committee is concerned about case backlogs that leave workers vulnerable to discrimination, especially as the number of claims filed by workers have increased. The Committee believes the federal response to workplace discrimination should be timely and effective, and the EEOC budget and the use of its budget should be designed to accomplish that goal.

National Labor Relations Board

The National Labor Relations Board administers federal labor law for much of the private sector, including enforcing employees' fundamental human rights to organize and collectively bargain. The underlying National Labor Relations Act, already unacceptably weak in the face of modern union-busting tactics, is vulnerable to further weakening by a Board committed to rolling back workers' rights, as was the case during the last Administration, or by a Board that is simply hobbled by Member vacancies, as is the case during the current Administration. During the 111th Congress, the Committee will continue its oversight of this critical agency and its responsibilities, which include ensuring that the Act is a viable and relevant mechanism for enforcing workers' rights in a changing 21st Century economy. The Committee will continue to press for long overdue reforms of labor law to ensure workers are free to exercise their rights to organize and collectively bargain for a better deal.

CONCLUSION

Members of the Committee on Education and Labor are committed to working closely with the Obama Administration and the Budget Committee to ensure that the FY 2011 budget process provides our country with a fiscally responsible blueprint that will put us back on the path towards adequately funding our nation's education and workforce demands.

Republican Views and Estimates for FY 2011
Committee on Education and Labor
111th Congress, 2nd Session
March 5, 2010

INTRODUCTION

America is in the midst of an economic and financial crisis. The national debt now stands at more than $12 trillion and, this year alone, the federal government is projected to run a deficit of more than $1.3 trillion. This comes on the heels of last year's $1.4 trillion deficit, which was the highest in the country's history. Congress spends $3.5 billion more per day than we take in, and the deficit currently adds up to almost 10 percent of our nation's GDP. Instead of getting the federal budget under control, the President is proposing massive spending increases that will worsen our nation's balance sheet and drive us further into debt. The American people are rightfully alarmed by this out-of-control spending trajectory. Education and Labor Committee Republicans agree that getting our nation's fiscal house in order must be our top priority for the next budget resolution.

EDUCATION PRIORITIES

Republican Education Priorities: Fiscally Responsible Reforms

During the 2nd session of the 111th Congress, Republicans will continue to advance fiscally responsible reforms to improve educational opportunities from elementary and secondary education through higher education and beyond. With a bold vision for education reform, we will work to restore local control to ensure parents and educators can make the best decisions for students, empower parents with educational choices, expand state and local flexibility, and keep college affordable.

- **Reforming Elementary and Secondary Education.** Republicans support efforts to reform the Elementary and Secondary Education Act (ESEA), the primary federal law that governs K-12 education. Eight years after enactment of the most recent version of the law, known as No Child Left Behind (NCLB), states and school districts continue to struggle with provisions that provide little flexibility in how states and school districts educate and assess their students: It is clear the law needs to change.

  As Congress prepares for the next reauthorization of ESEA, Republicans are committed to reevaluating the federal role in education, ensuring student success in the 21st century, and focusing on what's best for students, parents, teachers, and local communities. To give each child the opportunity to achieve his or her full and unique potential, America's educational system must be the best in the world, giving students the tools and knowledge to succeed. To this end, we support four fundamental tenets:

  - Restoring Local Control. Academic standards, testing systems, and curriculum should be set by states and local educators -- without coercion from the federal government -- to ensure those who know our children best are able to shape their education to excel in college and the workplace.

- Empowering Parents. Parents should have a greater role in selecting and participating in the learning environment that best serves their children's needs.

- Letting Teachers Teach. Onerous federal requirements should be removed to ensure our teachers and local schools have the freedom to operate and innovate as they think best.

- Protecting Taxpayers. Taxpayer dollars should be spent wisely by eliminating ineffective programs and making investments that help students achieve success on an increasingly competitive world stage.

- **Protecting Choice and Innovation in Student Aid.** Republicans are deeply troubled by the Administration's endorsement of the *Student Aid and Fiscal Responsibility Act* (*SAFRA*), which would eliminate the Federal Family Education Loan (FFEL) program as of July 1, 2010. Destroying this successful public-private partnership that has been in existence for more than four decades will eliminate more than 30,000 jobs and have a ripple effect on thousands more. This one-size-fits-all, Washington-based approach will jeopardize the ability of institutions of higher education to tailor student loan programs that best fit their students' needs.

  - Listening to the Experts. The Obama Administration spent much of its first year in office publicly and privately pressing schools to join the Direct Loan (DL), playing, in effect, a game of legislative chicken by preparing to implement the bill whether or not Congress enacts it into law. However, *SAFRA* has not yet been considered by the Senate and July 1, 2010 is just a few short months away. Approximately 4,000 schools have resisted this pressure and elected to stay in the private-sector based loan program. Republicans believe it is unrealistic and unfair to expect all of these institutions to switch into the Direct Loan program if *SAFRA* passes in the next four months. Financial aid administrators are urging Congress to pass an extension of the bipartisan *Ensuring Continued Access to Student Loans Act* (*ECASLA*), which would ensure all students receive loans regardless of the outcome of the pending *SAFRA* debate. With colleges and universities struggling to maintain high quality educational programs in a weak economy, Republicans question a proposal that would force schools to spend significant time and money to switch into a program they have rejected in the past.

  - Transparency in the Costs of the Bill. Republicans are concerned the true cost of *SAFRA* is not being disclosed. The most recent estimates from the Congressional Budget Office (CBO) demonstrate that *SAFRA* is an entitlement spending spree that will add billions to the deficit. In January 2010, CBO estimated the bill would spend $17 billion more than originally projected, yet the supposed savings remain static. Before any further action is taken on this bill, Congress needs an updated cost estimate from CBO. Republicans urge the House Budget Committee to retain funding for the FFEL program and require the Congressional Budget Office to produce an updated score for *SAFRA*.

- **Meeting Existing Funding Obligations Before Creating New Ones.** Since 1975, the federal government has failed to meet its commitment to fund 40 percent of the excess cost of educating children with disabilities. Under the Individuals with Disabilities Education Act (IDEA), Congress pledged to share in the cost of providing children with disabilities a free and appropriate public education in the least restrictive environment. Three and a half decades later, the federal government is providing less than half the 40 percent funding level that was promised to states. The President's FY 2011 budget provides a scant $250 million increase for special education funding, making virtually no progress toward the ultimate goal of full funding. Yet, just as in years past, the budget proposal calls for the creation of new programs and initiatives and prioritizes other programs ahead of special education. Committee Republicans believe we must fulfill our existing obligations, particularly to IDEA, before we even consider creating new programs or increasing funding elsewhere.

The Obama Education Budget Proposal: More Reckless Spending Without Results

The Obama Administration's FY 2011 budget calls for a $4.5 billion increase in elementary and secondary education funding, including $1 billion for a potential reauthorization of ESEA and $1.3 billion in additional funding for the Race to the Top program. This massive federal spending increase is proposed despite warnings from the CBO that the United States faces record deficit spending and debt burdens – a future of red ink exacerbated by the President's failed economic policies and congressional Democrats' unending spending spree.

While the Administration touts this spending influx as the key to improving education, there is scant evidence of past federal K-12 education programs contributing to an increase in student performance – nor is there proof that the more than 90 programs authorized under ESEA are fulfilling their overall mission of closing the academic achievement gap. That begs the question: Is the President's budget squandering the taxpayers' hard-earned dollars by simply throwing more money at our struggling education system?

- **Federal education funding has increased dramatically.** If money were the solution to the problems in America's schools, those problems would have been solved long ago. Since 2001, Congress has increased funding for Title I – the primary funding stream for disadvantaged students – from $8.8 billion to $14.5 billion, an increase of more than 65 percent. Since 1980, the federal government has increased education spending by more than 425 percent. Other elementary and secondary education programs have received similar increases over time. In fact, the federal government has increased education spending so rapidly that states are having trouble spending it all.

- **Unsustainable spending will result in a funding cliff and program cuts.** On top of the massive increases in education spending approved over the years, in 2009 Congress passed the American Recovery and Reinvestment Act, which provided almost $100 billion in temporary education funding to states and school districts. In most cases, funding for federal education programs has doubled, leaving state and local officials struggling to find proper uses for the money even as they grapple with what will happen when the money runs out later this year. Instead of implementing pro-growth economic

policies that would have put unemployed Americans back to work and rebuilt local tax bases, the Recovery Act was a massive spending bill that made states more dependent on the federal coffers – and more vulnerable when the federal funding explosion disappears.

- **Decades of spending have produced little to no increase in student achievement.** While Congress has provided unprecedented funding increases for federal education programs, student performance has remained stagnant. Based on data compiled from the National Assessment of Educational Progress (NAEP) Long-Term Trends report, student assessment scores in reading, math, and science have remained flat since 1970, even as federal education spending has risen dramatically.

WORKFORCE PRIORITIES

During the Second Session of the 111th Congress, Republicans will continue to focus on new strategies to meet the needs of our evolving economy. Many of our labor laws were written in a different time for a different workforce, and they must be reexamined in the context of the 21st century work environment. That means providing a safe and secure workplace for all Americans by improving retirement security, expanding access to quality health care, increasing opportunities for greater flexibility in the workplace, enhancing the accountability of unions to their members, and supporting an agenda of commonsense reform rather than new federal programs and regulations.

- **Working toward Accessible, Affordable Health Care.** Republicans continue to support proposals to make health insurance more accessible and affordable for all working Americans and provide protections to ensure patients receive quality health care without creating new bureaucracy or litigation. This includes support for Small Business Health Plans, which will help secure coverage for uninsured workers and families by putting small businesses on a level playing field with large employers and unions.

  This year Committee Republicans will pursue two main objectives: First, we will continue to fight against Democrats' efforts to force a government takeover of the American health care system that would impose massive new taxes and regulations on businesses and individuals to fund new entitlement programs that will stifle job and wage growth well into the future, especially in a weak economic environment. Second, Committee Republicans will continue to offer commonsense, step-by-step proposals to lower health care costs and expand access to coverage by making Small Business Health Plans available, reining in junk lawsuits, and permitting interstate purchasing of health coverage.

- **Protecting Workplace Democracy.** Spurred by demands for "payback" from Big Labor leaders, Democrats continue to press their unprecedented assault on the principle of democracy in the workplace with the deceptively named "Employee Free Choice Act." The bill, which strips workers of their right to a secret ballot in union organizing elections and allows government bureaucrats to impose binding contracts on large and small employers, remains a priority for organized labor leaders despite strong bipartisan opposition. Republicans will continue to oppose such legislation that diminishes worker

rights and stand firmly for union democracy and transparency through policies that empower union members to effectively exercise oversight and control over their labor organizations. The U.S. Department of Labor's Office of Labor Management Standards (OLMS) plays a critical role in holding union leadership accountable to rank-and-file workers, which is why Republicans support the proposal to restore funding for the agency, which has been cut dramatically by the Democratic Congress in recent years. OLMS must be fully funded and staffed to protect workers' rights.

- **Creating a Family Friendly Workplace.** Working families face a host of challenges when trying to balance the competing needs of home and a career. That's why Republicans support legislation that would modernize federal labor laws to give workers more flexibility through the use of "comp time," also known as "family time," which allows workers the option of taking paid time off in exchange for overtime hours worked. Conversely, Republicans will continue to oppose job-killing proposals to mandate new benefits and taxes on employers in the midst of record unemployment.

- **Promoting Retirement Security.** Committee Republicans will continue efforts to improve retirement security by encouraging workers to save more, making pensions more secure, and cutting red tape that prohibits employers from establishing pension plans. At the same time, Republicans will fight against proposals to radically restrict or reshape the way Americans save for retirement, including proposals that would take away workers' 401(k) accounts and impose a system of government-run savings, or push employers out of the business of offering 401(k)s through costly and burdensome mandates and litigation.

- **Taking a Cooperative Approach to Promote Worker Safety.** Republicans support policies that improve worker health and safety by encouraging a realistic mix of proven enforcement strategies and cooperative efforts that encourage compliance rather than confrontation. Committee Republicans believe the Administration's FY 2011 budget proposal ignores the progress made through OSHA's cooperative programs, including those that provide compliance assistance to employers and employees, particularly small businesses, as well as the Voluntary Protection Program. Committee Republicans will resist exclusively adversarial approaches to ensuring workplace safety, and will instead promote policies that proactively seek prevention. With respect to mine safety, Committee Republicans will continue to support proposals that reflect the priorities of the MINER Act, including efforts to update existing technology, train new inspectors, and improve industry practices.

- **Reforming Outdated Laws that Hamstring Economic Growth.** In a time of economic uncertainty, Congress should update and correct laws that hamper job creation, stifle workplace efficiency, and waste taxpayer dollars. This includes efforts to update and improve program integrity of the Federal Employees' Compensation Act (FECA) and renew the Family and Medical Leave Act (FMLA) to meet the needs of a changing workforce. Committee Republicans will vigilantly guard against legislative proposals that mandate a one-size-fits-all paid leave mandate, which will only exacerbate the challenging economic conditions that confront American employers and their workers.

- **Improving the Economy through Job Training.** To spur the lagging economy, Republicans believe Congress should improve job training opportunities for Americans striving to get back to work by streamlining unnecessary bureaucracy, fostering economic development, expanding employment and advancement opportunities for workers, and promoting the creation of high-skill and high-wage opportunities to compete in the global economy.

CONCLUSION

Republican members of the Education and Labor Committee are committed to commonsense reforms to our nation's education and workforce laws that promote job growth, economic recovery, and fiscal responsibility. We are concerned that the President's budget proposal puts our nation's future at risk with unsustainable levels of spending on new and unproven government programs. Therefore Republicans will continue to offer responsible alternatives on behalf of our nation's students, workers, and retirees.

John Kline

John Kline
Senior Republican Member

HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

JOE BARTON, TEXAS
RANKING MEMBER

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115

Majority (202) 225–2927
Minority (202) 225–3641

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
House Budget Committee

The Honorable Paul Ryan
Ranking Member
House Budget Committee

Dear Chairman Spratt and Ranking Member Ryan:

Pursuant to clause 4(f) of Rule X of the rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974, as amended, the Committee on Energy and Commerce is submitting views and estimates on President Obama's fiscal year 2011 budget. It is the custom of this Committee for the majority and minority to transmit separate views and estimates. Attached are the views and estimates of the majority.

The fiscal year 2011 budget proposed by President Obama supports a wide range of initiatives under the Committee's jurisdiction that are important for American consumers. For example, the proposed budget provides new resources for Federal Trade Commission activities to address increasing demands. It reflects the Administration's commitment to assuring the safety of chemicals used in commerce and developing the nation's broadband resources with accountability and transparency. The proposed budget also supports policies integral to continuing the nation's path forward toward economic recovery, including a comprehensive market-based climate change policy that is deficit neutral, and reform of our nation's health care system.

I look forward to working with the Obama Administration in the coming fiscal year.

Sincerely

Henry A. Waxman
Chairman

Attachment

Views and Estimates on the Fiscal Year 2011 Budget

Committee on Energy and Commerce

United States House of Representatives

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following discussion is not exhaustive, but highlights the views on issues addressed in the President's fiscal year 2011 budget that are within the Committee's jurisdiction.

Commerce, Trade, and Consumer Protection

FTC

The Federal Trade Commission FY 2011 budget is $314 million supporting 1,207 full time equivalents (FTEs). This is an increase of $22.3 million and 40 FTEs from FY 2010 levels. The President is to be commended for increasing the resources for the FTC which continues to operate with less resources and fewer FTEs than the agency had in the 1970s despite ever increasing demands. These new resources will be split between the FTC's twin missions of promoting competition and protecting consumers.

Resources should be used to support the FTC's expanded efforts to aggressively respond to growing law enforcement challenges in the financial services arena, including unfair, deceptive, or otherwise unlawful mortgage lending and credit offers; foreclosure rescue and loan modification scams; and bogus debt relief and credit repair services. FTC must devote resources to leverage new technologies to combat increasingly complex and global scams and expand international cooperation using the new tools provided in the US SAFE WEB Act.

CPSC

The budget provides over $118 million for the Consumer Product Safety Commission, including new funding for critical initiatives such as expanded enforcement, improved oversight of imports, and modernization of information technology systems. The budget also provides increased funding for continued implementation of the Consumer Product Safety Improvement Act of 2008, which provided the Commission with many new tools, authorities, and responsibilities. The President is to be commended for providing additional resources to support the important work of the Commission.

NHTSA

The NHTSA budget is getting a slight increase for 2011, but that the increase is intended solely for highway safety grant programs. The budget request for Operations and Research at NHTSA is receiving a slight cut of $5 million for 2011. NHTSA has a vital mission of ensuring the safety of vehicles on the roadways, and its research, rulemaking, investigations, and

enforcement capabilities have been stressed in recent years. The Administration has set forth important key priorities for rulemaking in 2011, including the completion of the mandates from SAFETEA-LU and the Cameron Gulbrandsen Kids Safe Transportation Act, motorcoach safety, and CAFE, as well as improvements to the New Car Assessment Program. Given the growth of new technologies in vehicles, the research analysis and vehicle safety divisions may require more funding, rather than a flat budget, to keep up with technological change. And given the recent attention to the safety of vehicles on the road, the Administration could consider additional resources for the investigation and enforcement priorities of the agency.

EPA's Chemical Management Program

The $56 million budget request, $934,000 over last year's budget, for EPA's chemical management program, demonstrates the Administration's commitment to assuring the safety of chemicals used in commerce. In addition, the proposed funding increases for the computational toxicology program will further the tools available to predict chemical risk. The proposed budget for this program is $21.9 million, an increase of $1.9 million over last year. Further resources may be required for the chemical management program to meet any new legislative authority under the Toxic Substances Control Act.

ITA

This Committee has stressed the importance of stimulating the U.S. economy through exports. The Administration's budget recognizes trade promotion as a key prong to economic recovery by increasing, to $534 million, the International Trade Administration budget in order to provide more exports assistance to our businesses, especially small and medium-sized enterprises.

Communications, Technology and the Internet

The budget proposes for matters relating to the use of the electromagnetic spectrum:

(1) Permanent Auction Authority – To extend permanently the authority of the Federal Communications Commission (FCC) to auction spectrum licenses. (This authority is currently set to expire in 2012.)

(2) Spectrum License User Fee –To permit the FCC to impose license fees on spectrum license holders.

(3) Domestic Satellite Service Spectrum License Auctions – To require the auction of spectrum licenses for predominately domestic satellite services such as Direct Broadcast Satellite and Satellite Digital Audio Radio Services.

The budget proposes to eliminate the following programs:

(1) The Public Telecommunications Facilities Grants Program – This program funds infrastructure and equipment upgrades and replacements for public broadcasting stations

and is managed by the National Telecommunications and Information Administration of the Department of Commerce.

(2) The Telecommunications Development Fund (TDF) – This program receives interest earnings from deposits on spectrum auctions and uses a portion of these earnings to invest in telecommunications firms to promote access to capital for small businesses, enhance competition in the telecommunications industry, and improve the delivery of telecommunications services to rural areas.

The complex policy issues associated with the communications and technology sector, including rules regarding spectrum management, should be evaluated through the standard legislative process. The Committee has an obligation to engage in appropriate fact-finding, consultation, and analysis before adopting long-term policies. The Committee will continue working to ensure that the United States maintains a comprehensive and forward-looking spectrum management policy that brings maximum benefit to the American public.

The Committee will monitor these programs to ensure that they continue to fulfill responsibly the missions and goals as mandated by Congress.

The budget contains a number of other important initiatives.

The President should be commended for proposing to reallocate $23.7 million to administer the Broadband Technology Opportunity Program (BTOP) and broadband mapping grants awarded prior to the Recovery Act deadline of September 30, 2010. Although the majority of the Recovery Act grant funds will be awarded during 2010, recipients usually have three years to complete their projects. This reallocation of grant funds will allow NTIA to continue to provide essential oversight, monitoring, grant evaluation, impact assessments, and reporting essential to ensure these grants comply with applicable regulations. The Commerce Department Inspector General recommended this as one of several steps designed to ensure that BTOP meets accountability and transparency standards.

In addition, the President should be commended for supporting Universal Service Fund (USF) modernization, which will better ensure that subsidies are well-targeted, demonstrate results, and minimize the burden to ratepayers, and that USF financial and program management will be strengthened to minimize waste, fraud, and abuse.

Finally, the budget makes an important commitment to spectrum reform, providing support for efforts to explore spectrum sharing approaches to identify the most efficient and effective sharing of radio spectrum, foster new wireless broadband technologies, and develop a plan to make available significant spectrum suitable for mobile and fixed use over the next ten years.

Energy and Environment

Climate Revenues

The President is to be commended for including in his budget a comprehensive market-based climate change policy that will be deficit neutral. The President's budget states that emission allowances will be used to invest in clean energy technologies, to adapt to the impacts of climate change, and to protect vulnerable families, communities, and businesses during the transition to a clean energy economy. Enacting such legislation in this Congress will be critical to reviving the flagging economy through clean energy investment, protecting the global environment and the public health, and increasing our national security by reducing our dependence on oil.

Environmental Protection Agency

The President is to be commended for including $10 billion for the operations of the Environmental Protection Agency (EPA) and specifying $43.5 billion for additional administrative efforts aimed at increasing clean energy and reducing greenhouse gas emissions.

The President is to be commended that the budget proposes to reinstate the Superfund tax. Reinstating the tax will generate more than $1.3 billion in 2011 for cleanup of the nation's most polluted sites pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). The President's budget also proposes a spending reduction of $13.4 million from the Superfund Program. There are over 1200 active sites on the National Priority List and EPA forecasts to reach construction completion at only 22 of these sites in 2010 and 25 in 2011. Adequate funding for the Superfund Program is vital to accelerate cleanup efforts and protect human health and the environment from uncontrolled exposure to hazardous substances at these sites. The Committee will work with the Administration to determine the appropriate level of funding needed for the Superfund Program.

The President is to be commended for highlighting the importance of investing in clean and safe water and including $1.3 billion for the Drinking Water State Revolving Fund. The need for these funds, and the ability of states and territories to use these funds effectively, have been demonstrated by the successful commitment of all American Recovery and Reinvestment Act funds by the one year anniversary of that Act.

In addition, the Committee may consider legislation to modify the agency's authorization to collect fees in order to support implementation of the Toxic Substances Control Act.

Department of Energy

The President is to be commended for including $2.4 billion in the budget to support Department of Energy (DOE) research, development, demonstration, and deployment of renewable energy and energy efficiency technologies that reduce global warming emissions. While the nation's movement towards a clean energy economy will be spurred by comprehensive climate legislation, DOE's ability to encourage innovation and deploy energy

efficiency, renewable energy, and other advanced clean energy systems will help reduce costs, accelerate timeframes, and provide additional economic opportunities.

The Committee may consider legislation to reauthorize the DOE Uranium Enrichment Decontamination & Decommissioning Fund and legislation to address the sales of depleted uranium by DOE.

Health

Health Reform

The President's FY 2011 budget assumes the enactment of health insurance reform legislation that will expand coverage to over 30 million uninsured Americans. This is a priority for the Committee and the President is to be commended for this approach. Health insurance reform passage is reflected in the budget through a "health insurance reform allowance" that projects a net reduction in federal spending by $150 billion over the next ten years as a result of House and Senate health reform proposals.

The House passed the Affordable Health Care for America Act in November 2009 and Senate the passed the Patient Protection and Affordable Care Act in December 2009. Passage of health reform remains imperative to the financial security of Americans families and the long term economic success of this country. It will provide access to affordable, quality health insurance saving individuals and families from medical bankruptcy and providing them access to preventive care and chronic care management. It will also strengthen and improve Medicare and Medicaid and strengthen the nation's investment in public health and the healthcare workforce. Health reform legislation is not only paid for, it reduces the nation's deficit.

The Committee continues to work toward and support the enactment of the policies in these bills and the President is to be commended for his efforts to do the same. As such, each specific policy encompassed in health reform is not separately specified in the President's Fiscal Year 2011 budget, such as mandatory spending for prevention, wellness, community health centers, health workforce, the transitional medical assistance program, state high risk pools and others.

The FY 2011 budget includes additional resources to lay the groundwork for the implementation of health reform. These include $112 million for health information technology of which approximately $21 million is above the FY2010 levels, $286 million for research that compares the effectiveness of different medical options of which $261 is above the FY2010 levels, and additional $250 million to reduce fraud and abuse in Medicare and Medicaid.

Medicare Physician Payments

As in the 2010 budget, this budget assumes that Congress will enact a permanent fix to the sustainable growth rate (SGR) system for Medicare physician payments. Under current law physicians treating Medicare patients will face a 21% reduction in fees on March 1, 2010, and additional cuts for many years thereafter. If allowed to go into effect, these cuts will trigger a

crisis in the availability of medical services for elderly and disabled program beneficiaries. Medicare's physician fee schedule also has a well-documented bias against primary care services and management activities known to provide the most effective and efficient kinds of care.

In November of 2009 the House passed a SGR reform bill (H.R. 3961) that would guarantee beneficiaries' access to their doctors while encouraging the development of more efficient care practices and arrangements. It is essential that H.R. 3961, or a similar package of payment improvements and reforms, be enacted this year. The President's budget assumes that the cost of repairing the Medicare physician payment system will be $371 billion.

Medicare and Medicaid Program Integrity

The budget proposes to provide an additional $250 million in discretionary funding for the Health Care Fraud and Abuse Control program at the Department of Health and Human Services (HHS). These funds will, among other things, help expand the Health Care Fraud Prevention and Enforcement Action Team (HEAT) initiative undertaken by the Department of HHS and the Department of Justice to combat fraud against Medicare and Medicaid. The budget also includes four legislative proposals to reduce fraud and abuse in Medicare and Medicaid, proposals that the Administration estimates will save $13.1 billion over 10 years. It is important to ensure that taxpayer dollars are spent correctly without imposing unnecessary administrative burdens on beneficiaries or providers.

Maintaining Medicaid

The budget includes $25.5 billion to extend for 6 months the temporary increase in the federal Medicaid matching rate (FMAP), which ranges from 6.2 to 11.6 percentage points depending on a state's unemployment rate. This temporary increase was originally enacted in the Recovery Act in order to assist states in maintaining their Medicaid programs in the face of higher caseloads and lower revenues resulting from the recession. The increase is scheduled to expire on December 31, 2010, midway through the fiscal years of most states. Failure to extend the increase will result in cuts in Medicaid eligibility, benefits, and payments to hospitals, nursing homes, and other providers, as well as layoffs by states and localities and affected providers.

Health Information Technology

The FY2011 budget includes $112 million to improve the adoption of health information technology (IT) by health care providers. This is in addition to a $2 billion investment made by the American Recovery and Reinvestment Act of 2009. The $112 million investment reflects approximately $21 million above the FY2010 budget. The bulk of the FY2011 investment in health information technology is $78 million for the Office of the National Coordinator for Health Information Technology to push for the adoption and meaningful use of electronic health records by providers. The remainder is for other agencies that support the President's health information technology agenda including the Agency for Healthcare Research and Quality that provides research and training grants to improve the quality and safety of care through health

information technology and the Office of Civil Rights to support privacy protections of medical information. The President is to be commended for these investments.

Prevention and Wellness

The budget includes $20 million at the Center for Disease Control (CDC) to support a new initiative to promote prevention and wellness activities in up to ten of the nation's largest cities. Grantees will focus on tobacco prevention and control; obesity prevention and control; and chronic disease detection and management. The President is to be commended for these targeted efforts to improve health, and the Department of Health and Human Services should make the evaluation and reduction of health disparities a primary goal of the initiative.

The President is to be commended for increasing CDC investment in important ongoing prevention and wellness activities, including an increase of $23 million for health statistics. However, it is of concern that the CDC's overall budget authority has declined. It is important to continue and expand successful CDC programs that promote the health of Americans and people around the world.

Community Health Centers

The budget includes $2.5 billion for health centers to expand service capacity and strengthen behavioral health services. The proposed investment represents a $290 million increase over FY 2010 and would allow health centers to serve a total of 20 million patients. The President is to be commended for supporting and strengthening critical safety net systems that provide access to comprehensive primary care services for vulnerable populations, many of whom are living in poverty or are uninsured.

Food Safety

The budget provides a substantial increase in resources for both the Food and Drug Administration (FDA) and the CDC to strengthen the agencies' efforts to secure the nation's food supply. A series of recent food borne illness outbreaks have illustrated the need for increased oversight of food safety. The President is to be commended for focusing these resources on prevention, strengthening surveillance and enforcement, improving response and recovery, and increasing the number of food facility inspections.

HIV/AIDS Prevention and Treatment

The President is to be commended for proposing to increase resources to detect, prevent, and treat HIV/AIDS domestically, especially in underserved populations.

The President also is to be commended for the proposed increase of $31 million for prevention and surveillance programs at CDC; the CDC's proposal to expand its targeted testing initiative, already begun among African Americans, to Latinos and to men who have sex with men; and the proposal to increase funding for other sexually transmitted diseases by $6.7 million.

In addition, the President is to be commended for the proposed increase of $40 million for the Ryan White program at HRSA. This increase includes $20 million for states through the AIDS Drug Assistance Program (ADAP). However, a growing number of states are facing major funding gaps in their ADAP programs, and hundreds of Americans who need antiretroviral therapy are on waiting lists for the drugs. Further increases will be necessary to maintain the reach of this vital program, especially at a time when states are poorly equipped to fill the financial gap.

Rural Health

The budget provides $79 million to strengthen regional and local partnerships among rural health care providers, expand community-based prevention, and modernize the health care infrastructure in rural areas. The President is to be commended for supporting efforts to improve access to health care in rural areas and initiatives to improve the quality of that care.

Access to Health Care for American Indians and Alaskan Natives

The budget proposes $4.4 billion for the Indian Health Service (IHS) to support and expand the provision of health care services and public health programs for American Indians (AI) and Alaskan Natives (AN). The IHS, tribal health organizations, and urban Indian health programs have been historically underfunded, which has contributed to the health disparities that exist among the AI/AN population. The President's request for an additional $354 million over FY 2010 levels will provide new resources to enable the Indian health system to address persistent health disparities and to foster healthy Indian communities. These monies will build on $500 million already authorized under the American Recovery and Reinvestment Act (ARRA) for the construction of health care facilities in Indian Country. Reauthorization of the Indian Health Care Improvement Act is an important step to help achieve the President's goals to strengthen the Indian health system and to help improve the quality of health services provided to American Indians and Alaskan Natives.

Teen Pregnancy Prevention

The budget supports $183 million, an increase of $7 million, for state, community-based, and faith-based efforts to reduce teen pregnancy using evidence-based models that emphasize abstinence but also provide medically accurate and age-appropriate information. Funding for evidence-based strategies to reduce teen pregnancy is an important investment, particularly since the birth rate among teens is on the increase for the first time in 15 years. The risk behaviors targeted by these programs are also the behaviors that lead to the unacceptably high rate of sexually transmitted diseases among youth.

Health Professions Workforce

The budget proposes $995 million to address the shortage of health care providers in underserved areas. The President is to be commended for proposing $33 million in additional resources to: (1) expand the National Health Service Corps program's efforts to recruit and retain new clinicians who will serve in the communities of greatest need; and (2) support the collection of comprehensive data and completion of analytic studies on the health workforce.

Further analysis is required to ensure that the resources available to the Health Resources and Services Administration (HRSA) will be adequate to respond to current and projected shortages in the health workforce, particularly among primary care providers, nurses, and public health professionals.

Emergency Preparedness

The President's budget reflects a continued commitment to ongoing emergency response and preparedness planning, including $476 million for the Biomedical Advanced Research and Development Authority (BARDA), an increase of $136 million. BARDA's charge is to develop new countermeasures for public health threats such as bioterror attacks or an influenza pandemic. The proposal also includes $302 million for ongoing influenza pandemic preparedness activities across the various HHS agencies as well as $330 million in carry over funds from the June 2009 emergency supplemental legislation to continue development of new vaccine technologies such as cell-based and recombinant vaccines. These are critical investments that will help ensure that the nation is better equipped to respond to public health threats.

Global Health

The President is to be commended for including in the proposed HHS budget $352 million for global health, including an increase of $16 million. The Department should play a key role in the President's interagency Global Health Initiative, with CDC in particular bringing its extensive domestic and international public health experience to bear on the initiative's target health issues.

Biomedical Research

The budget proposes $32.3 billion in funding for the National Institute of Health (NIH), an increase of $1 billion, to support the agency's basic and clinical research. It also proposes $261 million in additional funding at the Agency for Healthcare Research and Quality for patient-centered health research. These investments will support the cutting edge science necessary to better develop, translate, and disseminate critical medical knowledge that will improve the health care that patients receive. Even in a time of economic austerity, these are important investments that demonstrate a commitment to supporting medical innovation.

Mental Health and Substance Abuse

The budget proposes $3.7 billion for the Substance Abuse and Mental Health Services Administration's (SAMSHA) efforts to prevent and reduce the impact of substance abuse and mental illness on Americans. The costs of under- and untreated substance use and mental illness to the U.S. economy are staggering. The President is to be commended for proposing additional resources to support the quality and availability of activities to address priority mental health, substance abuse prevention, and substance abuse treatment areas; care for children and adolescents with serious emotional disorders and their families; and mental health, substance abuse, and other services for individuals with serious mental illness who experience or are at risk of homelessness.

HENRY A. WAXMAN, CALIFORNIA
CHAIRMAN

JOE BARTON, TEXAS
RANKING MEMBER

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6115

Majority (202) 225–2927
Minority (202) 225–3641

March 5, 2010

The Honorable John M Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

The Honorable Paul Ryan
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Spratt and Ranking Member Ryan:

As is the custom of the Committee on Energy and Commerce, the Majority and the Minority transmit separately their Views and Estimates on the President's Budget. Attached are the Views and Estimates of the Minority for the President's Budget for fiscal year 2011. Should you have any questions about this submission, please direct them to the Committee's Minority General Counsel, Amanda Mertens Campbell, at extension 5-3641.

Sincerely,

Joe Barton
Ranking Member

JB/res
Attachment

Views and Estimates on the President's Budget For Fiscal Year 2011

Submitted by:

The Honorable Joe Barton, Ranking Member
Committee on Energy and Commerce
March 5, 2010

Additional Views on the Fiscal Year 2011 Budget

Committee on Energy and Commerce

U.S. House of Representatives

Introduction

Clause 4(f) of Rule X of the Rules of the House of Representatives for the 111th Congress and section 301(d) of the Congressional Budget Act of 1974, as amended, require each standing committee of the House to submit to the Committee on the Budget (1) its views and estimates with respect to all matters to be set forth in the Concurrent Resolution on the Budget for the ensuing fiscal year (FY 2010) which are within its jurisdiction or functions, and (2) an estimate of the total amounts of new budget authority and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within its jurisdiction which it intends to be effective during that fiscal year.

President Obama submitted to Congress his proposed budget for FY 2011 (the President's budget). The Committee on the Budget has requested that committees submit their Views and Estimates by March 5, 2010. The following represents the Committee on Energy and Commerce's Minority views and estimates on the President's budget and its requests for additional budget authority beyond the requests contained therein.

Department of Energy (DOE)

The proposed FY2011 DOE budget is $28.4 billion, $2 billion above its 2010 budget. This is over and above the $36.7 billion DOE received last year under the American Recovery and Reinvestment Act (Recovery Act).

Nuclear

DOE's budget request includes an additional $36 billion in loan guarantee authority for the nuclear power sector to help construct the first new nuclear plants in decades, which together with the existing $18.5 billion in loan guarantees for new nuclear facilities is anticipated to support 7-10 reactors. The budget also includes $495 million for research, development, and demonstration, and additional funds for investments in supportive infrastructure.

We applaud the Administration's statements in support of nuclear energy, but we have significant concerns about whether the Administration's proposals will translate into new nuclear power plants in the United States. We note that the loan guarantees are wholly conditional commitments and dependent on successful completion of the certification of proposed reactor

designs by the Nuclear Regulatory Commission (NRC) and on issuance of combined construction and operating licenses. Further, while the Administration states that it supports a new generation of nuclear power plants, in the same budget, it proposes shutting down the statutorily mandated Yucca Mountain program, including withdrawal of the Yucca Mountain license application pending before the NRC. Similarly, the NRC's FY2011 budget includes a reduction of $13.7 million in anticipation of the shutdown of the Yucca Mountain program. The Administration states, without any technical or scientific justification, that developing a repository at Yucca Mountain is "not a workable option," and that it has instead established a "blue ribbon" commission to consider alternatives.

We do not support the proposed defunding and closure of the Yucca Mountain program. DOE's pending application, supported by numerous technical, safety, and environmental analyses, reflects over two decades of expert, scientific research by more than 2,000 scientists and engineers representing DOE and its contractors, the Naval Nuclear Propulsion Program, eight of the nation's premier national laboratories, the U.S. Geological Survey, and many colleges and universities. DOE alone has expended more than $13.5 billion on the civilian nuclear waste program since 1983, including funds to support the Yucca Mountain application, complete the NRC's complex pre-licensing proceeding, and comply with the NRC's strict licensing requirements. To prematurely withdraw the application and defund the program will deprive Congress and the American public of the important information developed by the NRC's expert determination on the application.

Moreover, we believe that the Administration's actions will set back the U.S. nuclear waste management and disposal program by decades, potentially undermine the expansion of nuclear power in the United States, waste billions of dollars in stranded costs and past taxpayer investment, increase additional taxpayer liabilities, and raise national security, environmental cleanup, and other issues.

Environmental Protection Agency (EPA)

The proposed FY2011 EPA budget is $10 billion, which does not include $7 billion in funds received under the Recovery Act. While the Administration claims that EPA's budget was "cut" by $300 million from last year's $10.3 billion budget, EPA's FY2009 budget was $7.1 billion and was vastly increased by the Administration last year. We therefore remain concerned about the burgeoning EPA budget and expanding bureaucracy, and the agency's promulgation of an unprecedented number of expensive new global warming and other economy-wide regulations. These new and proposed regulations will impose massive new costs on the economy, undermine economic growth, eliminate jobs in the U.S., and encourage relocation of companies overseas, particularly in the manufacturing and industrial sectors.

Cap-and-Trade Revenues

The budget request assumes the imposition of a cap-and-trade program that would reduce greenhouse gas emissions in the U.S. by more than 80% below 2005 levels by 2050, with a near-term target in the range of 17% by 2020. The budget assumes that such legislation would pass, notwithstanding current political realities, and that it would be budget neutral. We do not believe it

is appropriate to assume enactment of cap-and-trade legislation that would impose hundreds of billions of dollars in new costs annually. Nor do we believe that such legislation would be budget neutral. The cap-and-trade program would significantly burden the economy, increase the costs of energy, and result in the transfer of investment overseas.

Climate Change Initiatives

EPA's FY2011 budget would include $20.8 million to implement new greenhouse gas reporting rules as well as $55.5 million for programs to limit greenhouse gas emissions, including $25 million in connection with state New Source Review and operating permits, $7.5 million to develop New Source Performance Standards to limit greenhouse gases from major stationary sources, $6 million to implement EPA pending greenhouse gas standards for mobile sources, and $5 million to support "green travel practices and increasing the use of web-based video conferencing" and funding to support the creation of multi-use conference rooms. As Congress is considering whether the regulation of greenhouse gas emissions is appropriate, we have concerns that EPA is effectively rushing to push the Administration's global warming initiatives at a time when job creation and the nation's economic recovery should be the nation's highest priorities.

Reinstatement of Superfund Tax

The President's budget would reinstate Superfund excise taxes in the amount of an estimated $1.2 billion in FY2011 and increasing in future years. We are concerned that these additional costs will be passed directly to businesses and ultimately consumers at a time when American businesses can ill afford increasing taxes.

Department of Health and Human Services (HHS)

The proposed FY2011 HHS budget is $911 billion, $51 billion above its FY2010 budget. Many of the proposed spending changes do not reflect the passage of health care legislation; for instance, the budget does not take into account the long-term costs of the massive Medicaid expansion in both the House and Senate health care bills, nor does it provide funds for HHS to administer the federal government takeover of health care embodied in both bills.

Medicare

HHS's FY2011 budget lacks information on policies to contain Medicare costs and address the long-term sustainability of the program. Last year, the President outlined ways to generate savings for the Medicare program, but this year there is only a placeholder for health reform with projected savings of $150 billion. The budget does not specify which Medicare cuts the Administration supports, nor does it make any proposals to contain Medicare spending or to address the impending Medicare Trust Fund insolvency. The President's FY2011 budget presumes a permanent physician-payment fix, but does not detail what policy would be implemented to control for overuse of Medicare services. The budget also directs funds to CMS to do comparative effectiveness research, but its authority to do such work is unclear. We oppose using such research to make payment decisions.

Finally, there are more than 11 million Medicare beneficiaries with Medicare Advantage, a quarter of all enrollees. The budget is silent as to whether the Administration supports cutting Medicare Advantage. The Senate and House health care bills both cut Medicare Advantage, which would result in millions of Medicare Advantage beneficiaries losing access to the benefits they currently receive.

Medicaid

The Medicaid program is a shared responsibility of federal and state governments to provide medical assistance to low-income individuals, including children, the aged, the disabled, and people who meet eligibility criteria under the former Aid to Families with Dependent Children (AFDC) program. Others receive Medicaid through waivers and amended state plans with somewhat higher income-eligibility limits. Under the Administration's budget, the federal share of Medicaid outlays would be $297 billion in 2011. This is a $21.5 billion (7.8%) increase over last year's spending and a $95.4 billion (47.4%) increase over 2008 spending. Including the state funding share, OMB projects the total cost of the Medicaid program to the American taxpayers will exceed $6 trillion over the next 10 years. That number does not include the 15-20 million additional enrollees that would be added by the mandated Medicaid expansion provisions in both the House and Senate-passed health care bills.

We are deeply concerned about the rapid, unsustainable escalation of Medicaid spending proposed in the Administration's budget, not only because of the blatant disregard for fiscal prudence manifested in this budget, but also because most states cannot sustain the mandated growth without significant reductions in spending on other programs, including education, public safety, and transportation programs.

Community Health Centers

The FY2011 budget includes $2.5 billion for health centers to expand service capacity, an increase of $290 million. We support funding that will provide for the expansion of health centers to underserved communities.

Food and Drug Administration (FDA)

The FDA has requested a 23% increase for FY2011 to $4.03 billion. The increase includes $146 million from general revenue and $601 million in industry user fees, $215 million of which are tobacco user fees. Of the $601 million in proposed user fee increases, $289 million would come from new user fees that would require a change in law. The budget calls for the creation of new food facility user fees designed to raise $220 million in the next fiscal year. The House-passed food safety legislation also contains a food facility user fee, but it is unclear whether the budget request reflects the House bill. The budget also calls for a generic drug user fee designed to raise $38 million in FY2011.

Commerce, Trade, and Consumer Protection

Consumer Product Safety Commission (CPSC)

While the President's budget submission provides no specific information on the requested budget for CPSC, the Commission's FY2011 Performance Budget Request document reports only a nominal increase of $400,000 in requested FY2011 funds over the FY2010 enacted level of $118.2 million. This apparent funding freeze is misleading for two primary reasons. First, the Commission budget highlights nearly $14 million allocated in the FY2010 budget for non-recurring costs and thus not needed in the FY2011 request. Second, the Commission currently has an extra $2 million because the Commission has been unable to grant any funds authorized by the Virginia Graeme Baker Pool and Spa Safety Act in FY2009. As we noted at the time of Committee consideration, no state is currently eligible for a grant under the Act's grant program. If no state changes its existing pool safety laws, the $2 million reserved for the grant program in FY2010 will also revert to the Commission's general enforcement fund at the beginning of FY2011, creating a $4 million fund for the Commission to use at its complete discretion. In other words, while the funding request appears static, there is a functional increase in funds of nearly $18 million.

Further, we note that the Commission's request of $118.6 million for FY2011 exceeds the FY2011 authorization permitted by the Consumer Product Safety Improvement Act of 2008 (CPSIA) by nearly $3 million. There is no explicit justification for this budget-blowing number in its request unless the Commission intends these additional funds to support its request for 46 new full-time employees (FTEs), bringing the total FTEs to 576, exceeding the CPSIA directive of 500 FTEs.

We continue to have significant concerns about the administrative burden placed on the Commission by CPSIA. Reports suggest it has resulted in abundant unintended consequences. The Commission notes this burden by requesting 15 new FTEs for CPSIA-related functions. The Commission also notes that the CPSIA is the reason the Commission will promulgate more rules between 2009 and 2011 than it has since 1990. We remain concerned that the burden of CPSIA, both on the Commission and the private sector, far outweighs any benefit, and we question whether there has been any measurable improvement in safety as a result of the draconian "safety" standards contained in CPSIA. For instance, we are unaware of any reports of death or serious injury from exposure to lead via a children's product since 2006. While we recognize the danger posed by the ingestion of something made of pure lead, we fear that some sources of real danger will not receive adequate attention because of the onerous administrative burdens imposed by CPSIA.

In addition to the drain on Commission resources, we note the equally dramatic impact on industry resources, from the large toy companies to the smallest operations. We highlight the Commission's goal of collecting and testing samples of children's products at ports. These products must be certified by a third-party entity, but the Commission states that "Certification of children's products does not guarantee product safety." If the Commission intends to review the certification at taxpayer expense, we question the wisdom of also imposing the costs of the initial certification, which is passed through to consumers.

We remain concerned about the enormous resources that the CPSIA-mandated database will require. This database will be the depository of tens of thousands of consumer complaints, but

there is no plan for verifying those complaints. We are concerned about the millions of dollars allocated to this project, which will likely be overwhelming and of little safety value.

We applaud the Commission for recognizing the need to undertake a consideration of the technological feasibility of the 100ppm lead standard. The legislation was intended to require the Commission to understand such feasibility on its own, rather than be prompted by petition, as demonstrated by the statutory direction to the Commission to periodically review and revise downward the statutory lead limit as is technologically feasible.

Federal Trade Commission

While the President's budget submission gives no specific information on the Commission's budget request, the Commission's FY2011 Congressional Budget Justification reveals a requested budget increase of 9.3% over the FY2010 request. The Commission's $314 million request supports 1,207 FTEs, an increase of $22.3 million and 40 FTEs. The Commission's current staffing level of 1,167 FTEs already exceeds the FY2010 budget request of growing the Commission to 1,149 FTEs. We are concerned that given our nation's current fiscal condition, now is not the appropriate time to increase the size of a bureaucracy that has already grown at more than twice the rate as the previous decade.[1]

Finally, we note that the non-specific line-item of "Contract and other non-pay inflation" increased from the FY2010 budget request of $1.419 million to $3.144 million in FY2011. The Commission's budget provides no specific information on the purpose of these funds, and we believe that any line item that doubles in one year warrants scrutiny.

National Highway Traffic Safety Administration (NHTSA)

Under the President's budget submission for FY2011, NHTSA would receive only a $5 million increase in its overall authorization above the FY2010 enacted level. However, the President's budget proposal requests $50 million in new spending authority to combat distracted driving. The money would be used to encourage states to enact laws banning texting and other cellphone use while operating a vehicle. We are troubled that this grant program may amount to a federal giveaway to states that are already in the process of enacting distracted driving laws.

This funding is representative of the larger question of how NHTSA should best accomplish its mission of promoting vehicle safety. NHTSA has long been a federal gateway for statutorily required funding to the states through grant programs, the cost of which is disproportionate to the money NHTSA receives for its own federal operations and research. The current budget request, which seeks $250 million for NHTSA's operations and research, includes an overwhelming $621 million to fund for the state grant programs. We believe fiscal discipline includes limiting pass-through grant programs and recognizing that certain responsibilities belong to the states.

International Trade Administration (ITA)

[1] The Commission grew 18.5 percent between 2000 (985 FTE's) and 2010 (1167 FTE's) compared to a growth rate of 9.1 percent between 1990 (903 FTE's) and 2000.

The President's budget request includes $534 million funding for the ITA, an $88 million (20%) increase over the FY2010 for export promotion initiatives. While we wish to fulfill our trade obligations and ensure compliance with trade agreements enacted with our trade partners, making the federal government a full partner with industry to help promote exports carries with it an enormous potential for problems. Most importantly, we are concerned about the potential anticompetitive nature of the Administration picking industries that will receive limited taxpayer-funded support. Notwithstanding the state-supported trade activities of other nations, we are concerned about furthering government intervention into the marketplace by assuming the marketing and technical assistance arm of particular industries. These loans are essentially subsidies that should be considered in the context of our overall trade policy.

Economic Development Administration (EDA)

EDA proposes to shift a significant portion of its 2011 budget—nearly $90 million—away from the Public Works (PW) program and towards the Economic Adjustment Assistance (EAA) program. This shift is surprising in light of the President's recent commitment to infrastructure investment as a foundation for economic recovery. The PW program helps communities upgrade their physical infrastructure to attract new industry. Communities across America are ready to benefit from the long-term investments this program provides.

The great diversity of programs within the EAA program entails risk of misuse and waste of taxpayer resources. For example, the EDA allocated $782,960 in taxpayer funding to the Regents of the University of Michigan to help it help *other* organizations obtain more taxpayer funding. That EDA chose to highlight this action as a champion for the EAA program's merits is also a cause for concern.

How the EAA will use its increased funds is unclear. The Revolving Loan Fund (RLF) represents one of the most efficient tools the EAA program has at its disposal, in its ability to stimulate both economic development and employment. These lower interest loans often provide the extra financing needed to push a business venture into the realm of fiscal viability, and serve as a catalyst for private investment. Small businesses benefit especially from these loans. We believe that a significant portion of new EAA funds should find their way to the RLF program.

EDA's proposed salary allocations present another matter for concern. Between FY2009, and FY2010, EDA increased its personnel by 42 people. We assume that this increase occurred in response to the influx of new funding from the stimulus and the Supplemental Appropriations Act. With the EDA budget returning to pre-stimulus funding levels, we fail to see the need for 217 employees to manage essentially the same amount of resources that 175 employees could manage two years ago. This unsustainable staffing level is compounded by an unsustainable system of compensation. The FY2011 budget proposes to increase employee compensation by approximately $4.5 million, of which $2.9 million is borrowed from the FY2010 budget. Additionally, according to the proposed budget, the borrowed $2.9 million is used specifically to offset the $4 million annual salary costs of 10 new positions. That is nearly $400,000 per new position added to an agency that already appears overstaffed and whose average employee earns

just under $100,000. As EDA budget levels return to pre-stimulus level, we believe budget management resources should also return to comparable levels.

Telecom

The President's FY2011 budget proposes spending another $418 million into the United States Department of Agriculture (USDA) rural broadband loans and grants even though the existing USDA programs have been criticized as largely ineffective. This money is over and above the $2.5 billion the Recovery Act allocated to the USDA and $4.7 billion allocated to the Commerce Department for broadband loans and grants last year. Less than $1 billion of that money has been awarded to date, let alone spent, and many industry observers fear that money will have little positive impact. The broadband mapping that would help guide where those funds would best be aimed has yet to be completed, and it already appears that a number of awards will go to overbuilds of existing infrastructure rather than new builds for Americans who are truly unserved. If that turns out to be the case, the program will merely succeed in creating government-subsidized competitors that cannibalize existing providers' customer bases in rural areas where there are already few subscribers from which to cover the high costs of deployment. This would jeopardize existing jobs and broadband deployment, the exact opposite of the stated goals.

Overall, the budget would provide the USDA with $690 million in direct telecommunications loans, $400 million in broadband loans, $18 million in broadband grants, and $30 million in distance learning and telemedicine grants. Many of these programs are duplicative of programs at the Federal Communications Commission and the National Telecommunications and Information Administration. In other contexts, the President's budget recommends eliminating duplicative USDA programs, and it is unclear why we should not be doing the same here. At a minimum, we should not be throwing more money into these programs until we use the existing funds and determine if the programs have been successful, if funding is still needed, and how the current programs can be made more effective.

Joe Barton

Joe Barton
Ranking Member
Committee on Energy and Commerce

BARNEY FRANK, MA, CHAIRMAN

U. S. House of Representatives
Committee on Financial Services
2129 Rayburn House Office Building
Washington, DC 20515

SPENCER BACHUS, AL, RANKING MEMBER

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

By direction of the Committee on Financial Services, and pursuant to clause 4(f) of rule X of the Rules of the House of Representatives and section 301(d) of the Congressional Budget Act of 1974, I am transmitting herewith a committee print entitled "Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2011." I am also transmitting dissenting views submitted by Members of the Committee.

The Committee approved the print in an open meeting on March 3, 2010, by a roll call vote of 39-25.

Should you or your staff have further questions regarding this document, please contact the Committee's General Counsel, Mr. Thomas Duncan, at extension 5-4247.

BARNEY FRANK
Chairman

BF/tgd

Enclosure

cc: The Honorable Spencer Bachus

Views and Estimates of the Committee on Financial Services on Matters to be Set Forth in the Concurrent Resolution on the Budget for Fiscal Year 2011

Pursuant to clause 4(f) of rule X of the Rules of the House of Representatives, section 301(d) of the Congressional Budget Act of 1974, and section 425 of Senate Concurrent Resolution 13, 111th Congress, the Committee on Financial Services is transmitting herewith (1) its views and estimates on all matters within its jurisdiction or functions to be set forth in the concurrent resolution on the budget for fiscal year 2011; (2) an estimate of the budgetary impact of all legislation which the Committee expects to consider during the coming session; and (3) recommendations for improved governmental performance.

HOUSING AND COMMUNITY OPPORTUNITY

The FY 2011 Department of Housing and Urban Development (HUD) budget proposes an overall net funding level of $41.6 billion to provide a critical safety net for our nation's poorest families, seniors, veterans, Native Americans, Native Hawaiians, and disabled persons, foster economic opportunities for low- and moderate-income families; and strengthen urban and rural communities with the prevention of foreclosures and stabilization of housing markets. The Committee supports the HUD budget for making investments in public and assisted housing, addressing the needs of families who are homeless or at risk of homelessness, and the creation and retention of jobs. In particular, the Committee supports the FY 2011 budget funding increase designed to cover renewal costs for the Section 8 housing choice voucher program and for the project-based Section 8 housing stock.

The FY 2011 budget is 5 percent below FY 2010 and reflects the decision to reduce and eliminate certain HUD programs as part of the Administration's proposed government wide freeze in spending on many domestic programs. These programs include the public housing capital fund, HOME Investment Partnerships, Native American Housing Block Grants (NAHBG), the Section 202 Supportive Housing Program for the Elderly, the Section 811 Supportive Housing Program for Persons with Disabilities, the Community Development Block Grant (CDBG) Section 108 Loan Guarantee Program, the Brownfields program, the Housing Assistance Council, the rural housing multifamily restructuring program, and fair housing grants. The Committee will work to restore the funding cuts for these programs that serve lower income people and our most vulnerable seniors and disabled persons. The Committee also notes that the enactment of FY 2011 budget proposal to capitalize the Housing Trust Fund at $1 billion to help finance the development, rehabilitation, and preservation of affordable rental housing for extremely low and very low income residents will help to offset the harmful effects of budget cuts to affordable housing programs.

The Administration again proposes to supersede and expand the HOPE VI program through its Choice Neighborhoods Initiative and the FY 2011 budget requests $250 million for this program. The Committee expects to work with the Administration on authorizing legislation for the program and address the need for the replacement of demolished housing units. The FY 2011 budget funds $150 million for the new Catalytic

Investment Competition Grants program to provide capital for larger scale economic development projects in distressed communities. The budget also provides $150 million in funding for the second year of the Sustainable Communities Initiatives to better integrate housing, transportation and energy planning. The Committee is concerned about and will examine the use of CDBG funds for these new initiatives at a time when communities need greater CDBG assistance for ongoing community and economic development efforts.

OFFICE OF INSPECTOR GENERAL, TREASURY, FEDERAL DEPOSIT INSURANCE CORPORATION AND NATIONAL CREDIT UNION ADMINISTRATION

Under current law, the Offices of Inspectors General must conduct a Material Loss Review (MLR) when a federally supervised institution fails and results in a loss to the deposit insurance fund of more than $25 million or 2 percent of the 'institution's total assets at the time of receivership. This threshold, set 25 years ago, has had the practical effect of preventing the Inspectors General from performing virtually any other functions in this current climate. During the past year, the inspectors general had requested the threshold be raised. The Committee is pleased to note that the House responded to their request by passing H.R. 3330, raising the threshold to $200 million while still providing a level of review for bank failures under that threshold. The Committee encourages the Senate to support this legislation as soon as possible. In last year's budget views, the Committee expressed its support for the Inspectors General of the Treasury Department and the Federal Deposit Insurance Corporation (FDIC) to receive more resources. The Committee is pleased to acknowledge that those resources were provided through the Appropriations process.

The Committee believes the additional resources provided to these inspectors general are a crucial component of the Committee's requirement to ferret out waste, fraud and abuse and make recommendations for improved governmental performance in our budget views and estimates.

NATIONAL CREDIT UNION ADMINISTRATION

The Committee supports the requested increase of $1 million in the FY 2011 funding for technical assistance for the Community Development Revolving Loan Fund.

COMMUNITY DEVELOPMENT FINANCIAL INSTITUTIONS FUND

The Committee supports the President's fiscal year 2011 budget increase from last year's appropriated level of $246.5 million to $250 million. Importantly, the Administration's budget request seeks to more efficiently allocate resources within the CDFI Fund program, including an increase to $150 million of the core CDFI grant program (up 30 percent), which would begin to meet the heavy demand for CDFI services nationwide which serve some of the hardest hit communities economically. Additionally, the Committee shares the intent of the important new initiatives contained

in the budget request designed to improve the program and will work closely with the Department as these programs are developed.

U.S. SECURITIES AND EXCHANGE COMMISSION

The Administration's budget requests $1.258 billion for the SEC for FY 2011, an approximately 12 percent increase over FY 2010 (an increase of nearly $140 million) and an additional 380 positions (associated with an estimated 119 FTE). The bulk of the agency's funding request (62 percent) is directed towards fostering and enforcing compliance with federal securities laws. The enhanced funding and staffing levels requested will allow the SEC to improve its enforcement programs, better protect investors, hire staff with industry experience, and police today's complex markets.

While the Committee supports the Administration's funding and staffing requests for the SEC, as well as the Administration's emphasis on securities enforcement, compliance, and inspection activities, it notes that the SEC must continue to work to modify how the divisions associated with these functions operate in order to help restore investor confidence in the U.S. securities markets. The Committee will therefore continue to closely monitor developments related to the agency's organization and activities in the months ahead.

The Committee notes that it is anticipated that the full increase in spending for the SEC will be offset by an increase in the fees collected for securities transactions and registrations. For FY 2011, the SEC fee levels will be set to raise $1.7 billion in collections in accordance with the requirements of the Investor and Capital Markets Fee Relief Act (P.L. 107-123). This represents an increase of $220 million over FY 2010.

SECURITIES INVESTOR PROTECTION CORPORATION

The Administration's FY 2011 budget request includes, for the first time, budget estimates for Securities Investor Protection Corporation (SIPC). The reclassification of SIPC's budget treatment came as a result of a review in late 2009 by the Congressional Budget Office, the Office of Management and Budget, and congressional budget committees. The Committee has begun work on updating SIPC's governing statute in order to better protect investors and taxpayers. During 2010, the Committee will continue to explore options for reforming SIPC to better protect investors.

HOUSING FINANCE AND GOVERNMENT SPONSORED ENTERPRISES

It is the intention of the Committee to soon begin a process that will lead to a thorough reorganization of housing finance, which will include the replacement of Fannie Mae and Freddie Mac by appropriate institutions. Fannie Mae and Freddie Mac currently operate under the conservatorship of their regulator, the Federal Housing Finance Agency (FHFA), which Congress established in the 2008 Housing and Economic Recovery Act (HERA). As a result of HERA, FHFA operates outside of the appropriations process, but

the Administration's request notes that the agency's budget will be an estimated $147 million in FY 2011, a 5 percent increase over the FY 2010 level. FHFA receives direct funding for its activities from mandatory assessments on the housing government-sponsored enterprises (GSEs) -- Fannie Mae, Freddie Mac, and the 12 Federal Home Loan Banks (FHLBs).

The Administration's budget request does not place the housing GSEs on-budget. The request, however, presents statements of financial condition for the GSEs. The request also reflects Preferred Stock Purchase Agreement (PSPA) capital infusions. As of December 31, 2009, Fannie Mae and Freddie Mac had received a total of $110.6 billion from the Treasury Department under the PSPA. Fannie Mae and Freddie Mac have thus far paid PSPA dividends of $2.5 billion and $4.3 billion, respectively, to the U.S. Treasury.

The Committee will continue to monitor closely the record delinquencies and foreclosures in the housing markets, as well as the resulting impact on the GSEs, and the response of the Administration. The Committee will further address these issues and housing finance broadly with an aim of providing stable, long-term financing mechanisms for the housing finance markets and affordable and appropriate single- and multi-family housing in the United States. The Committee will begin hearings on these topics early in 2010.

INTERNATIONAL PROGRAMS

Multilateral Development Banks

The budget includes $3.065 billion in total funding for the Department of Treasury's international programs and reflects the Administration's commitment to meet major global development challenges through multilateral institutions and processes. $1.708 billion in funding is requested for the multilateral development banks (MDB's), $408.4 million for a U.S. contribution to a new World Bank multilateral food security trust fund, and $635 million for international efforts to combat global climate change. The budget also includes a request for $38 million for technical assistance programs. The Committee fully supports the funding requested to meet U.S commitments at the multilateral development institutions made by the current and previous Administration.

Asian Development Bank (AsDB). The Board of Governors of the AsDB voted in May 2009 to approve the fifth capital increase for the AsDB, the first capital injection for the institution since 1994. The request of $106.6 million for FY 2011 will cover the first of five paid-in capital contributions by the U.S. to the AsDB's fifth General Capital Increase.

The Committee expects implementation of the recently updated social and environmental safeguard policies at the AsDB to be fully consistent with the spirit, letter, and purpose of these policies and will continue to closely monitor their implementation, including any necessary changes to the Operations Manual to ensure full compliance with these protection measures.

Debt Relief

The Committee supports the President's FY 2011 request of $50 million for the enhanced Highly Indebted Poor Countries (HIPC) Initiative to allow a substantial contribution towards meeting the $75.4 million in U.S. pledges to the HIPC Trust Fund that have not yet been fulfilled. The Committee also supports the FY 2011 request of $20 million under the Tropical Forest Conservation Act to provide debt relief for low and middle income countries to support conservation of tropical forests.

Haiti

The Committee continues to be very concerned about the very dire situation of the people of Haiti who are now facing unprecedented, emergency humanitarian and reconstruction needs. A massive, coordinated, multilateral effort will be required to meet the needs of the people of Haiti, who now face one of the worst cases of human misery in the hemisphere. Although the FY 2011 budget request does not include the additional funding necessary to address the devastating impact of the recent earthquake in Haiti, the Committee welcomes Secretary Geithner's recent announcement that the United States will work with its partners around the world to cancel Haiti's debt to the Inter-American Development Bank, the International Fund for Agricultural Development, and the International Development Association in a manner that provides direct and immediate grant support to Haiti. The Committee also welcomes International Monetary Fund Managing Director Dominique Strauss-Kahn's call to provide full relief for Haiti's outstanding IMF debt, including the $102 million emergency loan approved on January 27, 2010. The moral case for canceling Haiti's debt is clear, and the Committee stands prepared to work with the Administration to authorize a swift and substantial U.S. commitment to comprehensive multilateral debt cancellation for Haiti.

Multilateral Food Security Trust Fund

The budget includes a request of $408.4 million for a Multilateral Food Security Trust Fund at the World Bank. The aim of this new multi-donor trust fund, also known as the Global Agriculture and Food Security Program (GAFSP), is to help developing countries improve food security and reduce poverty. The budget request would allow the U.S. to make an initial contribution to the fund of $475 million, using FY 2011 and FY 2010 funds.

The Committee welcomes the Administration's commitment to elevate agriculture's priority on the development agenda. The Committee looks forward to reviewing the World Bank's Global Agriculture and Food Security Program, particularly in light of various reports over the past few years, including one by the Bank's own internal evaluation unit, that the Bank's past interventions in African agricultural sectors were ineffective and may in fact have contributed to lower growth rates and a deepening of rural poverty.

Climate Change and the Environment

The Climate Investment Funds at the World Bank, which include the Clean Technology Fund and the Strategic Climate Fund, were given a high priority by the previous Administration as an effort to help developing countries bridge the gap between dirty and clean energy and boost the World Bank's ability to help developing countries tackle climate change.

Treasury is requesting $400 million for the Clean Technology Fund and $235 million for the Strategic Climate Fund. The Committee believes support for the Funds should be measured in part by the degree to which climate considerations are made a part of all the investment and funding activities of the MDB's.

TERRORISM RISK INSURANCE

The Congress responded to the September 11, 2001, terrorist attacks by enacting the Terrorism Risk Insurance Act (TRIA) and the Terrorism Risk Insurance Program Reauthorization Act of 2007 to extend TRIA through calendar year 2014. The President's budgets for FY 2004 through FY 2008 did not include estimates of potential insurance claims under TRIA because of the uncertainty surrounding the risk of future terrorist attacks. However, the FY 2009 through FY 2011 budgets included an estimated Federal cost of providing terrorism risk insurance. The Committee notes with interest that the President's budget for FY 2011 seeks to realize budgetary savings through a legislative proposal to alter TRIA before the program's existing 2014 sunset date. In advance of considering any such legislative proposal, the Committee renews its concerns regarding the departure from the assumptions used in the President's budgets for FY 2004 through FY 2008 and states its belief that the budgetary savings envisioned in the President's FY 2011 budget could also be achieved through employing the methodology used to account for TRIA in the President's budgets for FY 2004 through FY 2008.

FEDERAL EMERGENCY MANAGEMENT AGENCY

The Committee supports comprehensive reform and long-term reauthorization of the National Flood Insurance Program (NFIP). The Committee will continue to work with the Committee on Transportation and Infrastructure regarding land use and management in connection with the NFIP. The Committee is encouraged that the President's budget for FY 2011 maintains previous budgetary assumptions to provide for the vital insurance, loss mitigation and risk management functions of the NFIP for the whole of FY 2011. The Committee further supports the non-legislative efforts outlined in the President's budget for FY 2011 to expand NFIP participation, further flood loss mitigation and better manage flood risk.

DISSENTING VIEWS

The following represents the views of the Republican Members of the Committee on the following issues, consistent with the Concurrent Resolution on the Budget for Fiscal Year 2011

MARCH 5, 2010

ECONOMIC GROWTH AND JOB CREATION

The Republican Members of the Committee are deeply concerned about the overall level of deficit spending in the President's FY 2011 budget and its impact on financial markets, the economy and jobs. More than 8.2 million Americans have lost their jobs since January 2007 and, since the $863 billion dollar stimulus bill was signed into law last year, more than three million Americans have lost their jobs, unemployment is near 10 percent, and the deficit is set to hit a record $1.6 trillion.

At a time when many families across America have been forced to do more with less, Washington continues to engage in unsustainable and reckless government spending. Americans are less financially secure today because of the staggering budget deficits expected over the next ten years. The President's FY 2011 budget will add $14 trillion to the national debt, thereby more than doubling the debt in 5 years. But the FY 2011 budget also fails to account for $370 billion that the Congressional Budget Office (CBO) estimates that the operations of Fannie Mae and Freddie Mac will cost taxpayers over the next 10 years, or the $1.6 trillion in outstanding debt issued by these firms, which are now owned and operated by the Federal government.

These unsustainable deficits are creating enormous fear among consumers and business owners, who are reluctant to spend, invest, and hire new workers because of uncertainty over new taxes, higher interest rates and the expanding role of government in the economy. As Donald Kohn, Vice Chairman of the Federal Reserve, observed: "The deficit is on track to remain quite large even as the economy recovers, pushing up the ratio of federal debt to gross domestic product substantially... Unless the trajectory is changed, the competition for savings between the government, on the one hand, and households and businesses, on the other, could be significant as households and businesses begin to borrow and spend in the recovery, putting upward pressure on interest rates."

In recent testimony before the Financial Services Committee, Federal Reserve Chairman Ben Bernanke warned that the United States could soon face a debt crisis like the one in Greece and other nations with large structural deficits, if action isn't taken to address unsustainable government spending. In particular, the United States could have trouble selling its debt to investors, which would force taxpayers to pay higher interest rates on our debt. "It's not something that is 10 years away," Chairman Bernanke said. "It affects the markets currently. It is possible that bond markets will become worried about the sustainability [of yearly deficits over $1 trillion], and we may find ourselves facing higher interest rates even today."

GOVERNMENT SPONSORED ENTERPRISES

Amid mounting mortgage losses, deteriorating credit quality, and eroding capital positions, the Government Sponsored Enterprises (GSEs) – Fannie Mae and Freddie Mac – were placed into conservatorship in September 2008. The rescue of Fannie Mae and Freddie Mac represented an extraordinary Federal intervention in private enterprise and could become the most expensive in history.

According to the CBO, the operations of Fannie Mae and Freddie Mac added $291 billion to the Federal deficit in 2009 but the Administration's budget request does not place the housing GSEs on-budget. The Administration's request does, however, include statements of financial condition for the GSEs and reflects the multi-billion dollar, taxpayer-funded Preferred Stock Purchase Agreement (PSPA) capital infusions. The Housing and Economic Recovery Act of 2008 (HERA) gave the Treasury standby authority to buy $200 billion in preferred stock or debt in Fannie Mae and Freddie Mac until December 31, 2009. The Obama Administration subsequently raised the commitment to $400 billion, and then announced on Christmas Eve 2009 that it was removing *any* limits on the use of Federal funds to cover losses at the GSEs. The Administration also extended its purchase authority until December 2012. Because of their continuing losses, Fannie Mae and Freddie Mac have so far received $127 billion from the Treasury Department under the PSPA.

After the two GSEs were placed in conservatorship, the CBO concluded that Fannie Mae and Freddie Mac should henceforth be included in the federal budget. In its 2010 fiscal outlook, the CBO estimated that the 10 year cost of operating the companies will be $370 billion. However, the Office of Management and Budget (OMB) continues to treat Fannie Mae and Freddie Mac as "off budget," and does not include their activities on the government's balance sheet. Ultimately, it is OMB's decision as to whether the GSEs are included in the federal budget. Therefore, the Republican Members of the Committee strongly recommend that OMB be statutorily required to move Fannie Mae and Freddie Mac "on budget," and to account for the losses they have sustained since they were placed in conservatorship in the same way as CBO calculates their losses. The Republican Members of the Committee also recommend subjecting the two GSEs' debt – used to finance their mortgage purchases – to the statutory debt limit. To allow time for the implementation of this new law, an effective date of 90 days after enactment should be set.

The Republican Members of the Committee are disappointed that the Obama Administration failed to live up to its previous commitment to provide recommendations on the future of Fannie Mae and Freddie Mac as part of the President's FY 2011 budget. In recent congressional testimony, Treasury Secretary Geithner acknowledged that it will be next year at the earliest before the Administration will be prepared to provide any such recommendations. This failure to map an exit strategy from an open-ended commitment that has already cost American taxpayers $127 billion is unacceptable.

FEDERAL HOUSING ADMINISTRATION

As private sector lenders have scaled back their activities, the Federal Housing Administration (FHA) has significantly increased its share of the single-family mortgage market from less than 5 percent to more than 30 percent. Increased delinquencies and foreclosures across the nation have had a detrimental effect on the financial health of the

FHA program. Late last year, an independent actuarial review showed that FHA's capital reserve ratio had dropped below the Congressionally-mandated threshold of two percent to a less than expected 0.53 percent. The report also indicated that the economic value of the Mutual Mortgage Insurance Fund (MMIF) declined over 75 percent from last year, to $2.73 billion. If home prices do not recover, the economic value of the fund could fall below zero, prompting HUD to request an appropriation from Congress. This potential shortfall is deeply troubling, and the Republican Members of the Committee urge the Administration to be vigilant in its efforts to weed out mortgage originators who seek to use the FHA program as a dumping-ground for poorly or fraudulently underwritten loans.

The Republican Members of the Committee note that FHA has announced its implementation of "several reforms to strengthen its credit policies, which will ultimately help shore up the reserves and reduce risk," including hiring a Chief Risk Officer. These are encouraging and necessary steps, but not sufficient to address the problem of the MMIF being significantly undercapitalized. In fact, FHA's recent actuarial report notes that there is likely to be a continued decline in its portfolio through 2011. According to testimony before the Committee, a bailout of the FHA could cost $54 billion or more. To avoid putting the taxpayer at unnecessary and avoidable risk, the Republican Members of the Committee recommend increasing the FHA down payment requirement to a ratio that is more aligned with the risk its borrowers pose to the taxpayer.

In addition, the Republican Members of the Committee are concerned that the FHA continues to lack the technological and management capacity to perform proper oversight of its single-family loan insurance portfolio. With the increase in loan limits and the recent changes in the FHA reverse mortgage program, sufficient efforts must be made to ensure proper monitoring of FHA-approved lenders/licensees, and to ensure that the program is not being abused by those seeking to take advantage of the American taxpayer.

TROUBLED ASSET RELIEF PROGRAM

The Republican Members of the Committee are concerned that President Obama's decision to extend the Troubled Asset Relief Program (TARP) to October 3, 2010, has opened the door to efforts to spend unallocated and repaid TARP funds for programs unrelated to the global financial crisis. In fact, H.R. 4173, the financial regulation bill that passed the House on December 11, 2009, diverts $4 billion from TARP to a number of "foreclosure mitigation and neighborhood stabilization programs." It diverts another $20.8 billion to pay for the massive expansion of government bureaucracy that will result from enactment of that legislation. In addition, the so-called jobs bill that passed the House of Representatives on December 16, 2009, diverts $138 billion from TARP to pay for more deficit spending.

TARP was originally enacted as a temporary plan to address an extraordinary crisis in our financial markets as a result of the collapse of financial firms that the government deemed "too big to fail." Those who voted for the Emergency Economic Stabilization Act, which created TARP, did so with the assurance that the money would be returned to the taxpayers.

Americans are struggling under the weight of high unemployment, sluggish economic growth, and runaway federal deficits. The best way to bring about economic growth and

job creation is to avoid the massive deficits and to stop the massive increase in the national debt. The Republican Members of the Committee recommend beginning the process of putting our fiscal house in order by shutting down TARP, and immediately returning any unused funds to the American taxpayer.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Obama Administration's budget for the Department of Housing and Urban Development (HUD) totals $48.5 billion for FY 2011. This represents a $1 billion increase over the FY 2010 request and a $2 billion increase over enacted levels. HUD is notorious for slow spend out rates in many of its programs, yet nothing in this budget addresses the large unexpended program balances sitting in HUD accounts. Furthermore, this budget does not include the types of reforms necessary to ensure programs are administered in a cost-effective and efficient manner. The Administration believes that its $48.5 billion request for FY 2011 will be offset by $6.9 billion in FHA receipts. The Republican Members of the Committee are concerned that this number reflects overly optimistic assumptions and believes that HUD should not rely on income from the troubled FHA program that may never materialize to offset spending increases.

Included in the Administration's FY 2011 budget are several new housing programs to be administered by HUD. For example, the Administration's budget request includes $250 million for the Choice Neighborhood program, $258.8 million for the so-called Transformation Initiative, and $150 million for developing and supporting the Sustainable Communities initiative in partnership with the Department of Transportation and the Environmental Protection Agency (EPA). While these programs may have laudable goals, the Republican Members of the Committee believe that in light of the record deficits outlined above, now is not the time to be creating new, costly and unproven government programs.

The Republican Members of the Committee are also concerned with the ever-increasing discretionary spending in the HUD budget and its impact on budget deficits now and in the future. For example, the HUD budget includes $19.6 billion (a $1.4 billion increase from FY 2010) for the Section 8 voucher program, which represents 47 percent of HUD's budget request. Clearly this level of funding for the Section 8 program is unsustainable. Over the years, Congress has grappled with issues regarding the overall cost of the program and taken steps to slow the growth of the program relative to its proportion of the overall HUD budget. However, the Administration's FY 2011 HUD budget and recent congressional actions would have the effect of reversing those cost savings. For this reason the Republican Members of the Committee are concerned that without meaningful reform, funding levels necessary to sustain the section 8 program will negatively impact other HUD programs, such as housing for critical populations of the elderly, disabled and veterans.

NATIONAL HOUSING TRUST FUND

Created by the Housing and Economic Recovery Act of 2008, the National Housing Trust Fund was originally to be funded by Fannie Mae and Freddie Mac. Given the GSEs' current status in conservatorship, they are no longer available as a funding source; consequently, the President has requested $1 billion in separate funding. The Republican Members of the Committee are concerned that the Trust Fund duplicates other Federal

housing programs, such as the HOME Investment Partnership program, which provides grants to state and local governments to implement strategies designed to increase homeownership and affordable housing opportunities for low- and very low-income Americans. Of equal concern is the availability of Trust Fund monies to non-profit groups such as the Association of Community Organizations for Reform Now (ACORN), which has been implicated in voter fraud.

FORECLOSURE MITIGATION

In 2008, Congress established the Hope for Homeowners program, which was designed to provide FHA loans for at-risk borrowers, combined with a requirement for lenders to write down existing loans to below the home's current market value. Since its inception, Members have raised concerns about the effectiveness of the Hope for Homeowners program, and as predicted – at least by House Republicans – this program has been a failure by virtually every metric. Estimates that the program would help hundreds of thousands of struggling borrowers with negative equity obtain more sustainable mortgages have fallen far short. The CBO now believes the program will assist only 25,000 at a cost of $675 million, or just over $25,000 per assisted family. Congress should eliminate this program because it is ineffective, costly and does not maximize the taxpayer's investment in providing foreclosure mitigation to distressed homeowners.

In addition, the Obama Administration continues to implement its three-part Homeowner Affordability and Stability Plan intended to help up to 9 million at-risk borrowers. The plan includes (1) a refinancing plan for mortgages owned by Fannie Mae or Freddie Mac; (2) a $75 billion loan modification program; and (3) a commitment of $200 billion to purchase Fannie and Freddie preferred shares. Like Hope for Homeowners, this foreclosure mitigation initiative has failed to meet its objectives. As of January 31, 2010, nearly 1.3 million homeowners have received offers for "trial" modifications, but only 116,000 permanent modifications have actually been completed. For many Americans, the Administration's foreclosure mitigation programs raise questions of fundamental fairness, specifically whether it is equitable to provide taxpayer funds to over-extended homeowners who have fallen behind on their mortgages while homeowners who have been struggling to stay current and pay property taxes receive no help. While the Republican Members of the Committee understand the need to address preventable foreclosures, they are concerned that any government plan must ensure that speculators and the unscrupulous are not bailed out by working families that have budgeted responsibly and made sacrifices to live within their means.

U.S. SECURITIES AND EXCHANGE COMMISSION

The Republican Members of the Committee are concerned about the Administration's FY 2011 budget request for the Securities and Exchange Commission (SEC) of $1.258 billion, which is a 12 percent increase over last year's $1.119 billion budget. To pay for these higher spending levels, the budget proposes increases in SEC fees on securities transactions and registrants that would fully offset the increase. While the SEC should have adequate resources to restore investor confidence in financial institutions and markets following the financial crisis and to revitalize the Commission and refocus it on its core mission, these efforts should be closely monitored and the SEC should be held accountable for its progress

and use of resources. Simply increasing spending and adding employees will not ensure effective regulation by the SEC.

At a minimum, the Republican Members of the Committee recommend that the SEC be made to correct the deficiencies identified in the November 2009 Government Accountability Office (GAO) financial audit of the Commission. GAO found that the SEC's "internal control deficiencies" represented a "material weakness" that gave rise to "significant management challenges" that increased the security risk to data processed by the SEC and impaired the Commission's ability to adequately prepare financial statements, among other issues. The GAO also concluded that the SEC's continued reliance on poorly designed systems deprived the Commission's management of "accurate, complete, and timely transaction-level financial information that management needs to make well-informed decisions." It is only reasonable to expect the SEC to hold itself to the same rigorous financial and internal control standards as it would hold any of its registered and regulated entities.

In addition, the SEC must improve its record of examinations of registered investment advisers, one of the leading factors in the Commission's failure to detect the Bernard Madoff fraud. The Commission's Justification for the FY 2011 budget request contemplates a 9 percent yearly examination rate of registered investment advisers – roughly the same rate of examination as in prior years. In order to adequately protect investors and prevent future Madoff-like frauds, the Commission must increase the percentage of investment advisers examined by the SEC on a yearly basis. Any budget increases should ensure that resources are adequately directed toward this objective.

SECURITIES INVESTOR PROTECTION CORPORATION

The Administration's FY 2011 budget correctly describes the mission of the Securities Investor Protection Corporation (SIPC) as providing protections to customers against losses resulting from broker-dealer failure, thereby promoting investor confidence in the nation's securities markets. However, the Administration budget's flat assertion that SIPC will not require the use of its $1 billion line of credit from the U.S. Treasury Department over the next ten years is overly optimistic.

In 2008, SIPC was confronted with two unprecedented events: the liquidation of Lehman Brothers Holdings in September 2008 and the liquidation of Bernard L. Madoff Investment Securities in December 2008. While SIPC so far has had sufficient assets to handle these "hundred-year" events and successfully managed the Lehman liquidation, the Madoff proceeding continues to present SIPC with challenges regarding the most appropriate method to compensate Madoff's investors, which could place pressures on the sufficiency of the SIPC fund.

On February 17, 2009, the SEC charged Robert Allen Stanford and three of his companies with orchestrating a fraudulent, multi-billion dollar investment scheme centering on an $8 billion certificate of deposit (CD) program. While Stanford customers have not received coverage from SIPC, they believe they are entitled to such coverage for their losses and have appealed this decision to the SEC. If the SEC overrules SIPC's decision and expands SIPC coverage to banking products (such as CDs), expands coverage to products issued by a foreign entity (which may be owned by a U.S. company), or expands coverage to products

which investors have custody of but which are now worth less than when they were purchased, claims could overwhelm the SIPC fund.

The Republican Members of the Committee believe that budget projections for SIPC should be realistic and account for the possibility that broker-dealers can and do fail, and that Ponzi schemes and fraud can and do occur. In addition, the Republican Members of the Committee do not look favorably on legislative reforms that would require SIPC to borrow against its credit line, thus placing additional significant burdens on American taxpayers.

NATIONAL FLOOD INSURANCE PROGRAM

The National Flood Insurance Program (NFIP) is facing serious challenges and needs comprehensive reform to stabilize its long-term finances, according to the GAO. In addition to carrying a $19 billion debt to the U.S. Treasury for borrowing to pay flood claims relating to the devastating 2005 hurricanes, the NFIP is not collecting enough flood insurance premiums to cover the costs associated with the estimated risk of losses. The GAO has determined that the flood program's structure as designed is not actuarially sound. Rates for approximately 25 percent of policies are subsidized, and these are primarily for high-risk structures constructed before the NFIP's flood plain regulations and flood risk mapping went into effect. Some policyholders are paying rates that may be only 35 to 40 percent of actuarially-sound rates based on the estimated risk of flooding.

The Republican Members of the Committee are concerned about efforts to expand the NFIP to include coverage for windstorms, which would further exacerbate the financial weakness of the program and displace a portion of the private insurance market for windstorm coverage. Both the House and the Senate versions of long-term reauthorization and reform measures that passed in the last Congress contained reforms with broad support to move the NFIP closer to risk-based pricing. It is important that the Congress move forward with comprehensive reforms to overhaul the NFIP, protect federal taxpayers from excessive and unwarranted financial exposures, and increase the role of the private insurance sector in flood risk management without further delay.

Spencer Bachus

Randy Neugebauer

Scott Garrett

Lynn Jenkins

Donald Manzullo

Christopher Lee

[illegible]

Ron Paul

Ed Royce

Shelley Moore Capito

[illegible]

Judy Biggert

Frank D. Lucas

Leonard Lance

Jeff Hensarling

Bill Posey

[illegible]

Michele Bachmann

John Campbell

Walter B. Jones

Erik Paulsen

Patrick Murphy

Kevin McCarthy

HOWARD L. BERMAN, CALIFORNIA
CHAIRMAN

GARY L. ACKERMAN, NEW YORK
ENI F. H. FALEOMAVAEGA, AMERICAN SAMOA
DONALD M. PAYNE, NEW JERSEY
BRAD SHERMAN, CALIFORNIA
ELIOT L. ENGEL, NEW YORK
BILL DELAHUNT, MASSACHUSETTS
GREGORY W. MEEKS, NEW YORK
DIANE E. WATSON, CALIFORNIA
RUSS CARNAHAN, MISSOURI
ALBIO SIRES, NEW JERSEY
GERALD E. CONNOLLY, VIRGINIA
MICHAEL E. MCMAHON, NEW YORK
JOHN S. TANNER, TENNESSEE
GENE GREEN, TEXAS
LYNN WOOLSEY, CALIFORNIA
SHEILA JACKSON LEE, TEXAS
BARBARA LEE, CALIFORNIA
SHELLEY BERKLEY, NEVADA
JOSEPH CROWLEY, NEW YORK
MIKE ROSS, ARKANSAS
BRAD MILLER, NORTH CAROLINA
DAVID SCOTT, GEORGIA
JIM COSTA, CALIFORNIA
KEITH ELLISON, MINNESOTA
GABRIELLE GIFFORDS, ARIZONA
RON KLEIN, FLORIDA
VACANCY

RICHARD J. KESSLER
STAFF DIRECTOR

DOUGLAS J. CAMPBELL
DEPUTY STAFF DIRECTOR

SHANNA WINTERS
GENERAL COUNSEL AND SENIOR POLICY ADVISER

ONE HUNDRED ELEVENTH CONGRESS

CONGRESS OF THE UNITED STATES

COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

TELEPHONE: (202) 225-5021
HTTP://WWW.FOREIGNAFFAIRS.HOUSE.GOV/

ILEANA ROS-LEHTINEN, FLORIDA
RANKING REPUBLICAN MEMBER

CHRISTOPHER H. SMITH, NEW JERSEY
DAN BURTON, INDIANA
ELTON GALLEGLY, CALIFORNIA
DANA ROHRABACHER, CALIFORNIA
DONALD A. MANZULLO, ILLINOIS
EDWARD R. ROYCE, CALIFORNIA
RON PAUL, TEXAS
JEFF FLAKE, ARIZONA
MIKE PENCE, INDIANA
JOE WILSON, SOUTH CAROLINA
JOHN BOOZMAN, ARKANSAS
J. GRESHAM BARRETT, SOUTH CAROLINA
CONNIE MACK, FLORIDA
JEFF FORTENBERRY, NEBRASKA
MICHAEL T. MCCAUL, TEXAS
TED POE, TEXAS
BOB INGLIS, SOUTH CAROLINA
GUS M. BILIRAKIS, FLORIDA

YLEEM D.S. POBLETE
REPUBLICAN STAFF DIRECTOR

MARK C. GAGE
REPUBLICAN DEPUTY STAFF DIRECTOR AND
DIRECTOR, EUROPE AND EURASIAN AFFAIRS

DOUGLAS C. ANDERSON
REPUBLICAN CHIEF COUNSEL

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman:

Pursuant to your letter dated January 29, 2010, as well as House Rule X clause 4(f), I am writing to convey the Committee on Foreign Affairs' Majority "Views and Estimates" on the President's Function 150 budget request for Fiscal Year 2011. Consistent with the past practice of the Committee, the Minority will transmit its own views and estimates.

The Committee Majority strongly recommends that the Concurrent Resolution on the Budget for Fiscal Year 2011 assume no less than the President's request for $58.5 billion in budget authority for Function 150 discretionary programs. We share the Obama Administration's view that diplomacy and development are key pillars of U.S. national security, alongside defense. This point was reinforced in a recent bipartisan letter to the President – signed by 247 members of the House and Senate – which urged the President to submit a robust international affairs budget.

Almost one-fifth of the total Function 150 request, $10.8 billion, is designated for U.S. programs and activities in Iraq, Afghanistan and Pakistan. This includes $1.6 billion for activities previously carried out by the Department of Defense, including Iraqi police training, the Pakistan Counterinsurgency Capabilities Fund, and Section 1207 reconstruction and stabilization assistance.

With the greatly increased funding requirements for the frontline states, the President was forced to make some difficult choices in the Function 150 budget request. Many important programs had their funding levels frozen, and others are slated for reductions. A failure to fully fund the President's request will likely result in devastating cuts to a significant number of core diplomacy and development programs and activities.

The Honorable John M. Spratt, Jr.
March 5, 2010
Page Two

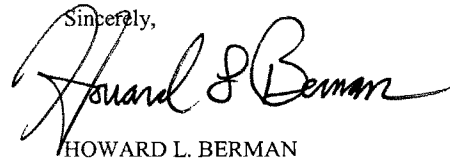
The Committee Majority believes that the most accurate tally of Function 150 spending for FY10 should include "forward funding" provided in the FY09 supplemental, as well as the FY10 supplemental request. Looking at it that way, the FY11 request represents a very modest 2.8 percent increase over FY10.

With regard to section 425 of S. Con. Res. 13, I would stress that the Committee takes very seriously its oversight role over the expenditure of appropriated funds, and we will continue to perform this function with the goal of eliminating fraud and abuse in programs under our jurisdiction.

In recent years, the final Concurrent Resolution on the Budget has frequently decreased funding for the Function 150 account compared to the President's request. While the Committee recognizes that the competing priorities are enormous, we believe it is absolutely critical to provide adequate resources to support U.S. involvement in Afghanistan, to rebuild civilian capacity to fully realize a reinvigorated role for development and diplomacy, and to continue to save the lives of millions of people threatened by HIV/AIDS. For all of these reasons, the Committee Majority strongly urges you to include the President's FY11 Function 150 budget request of $58.5 billion in the House version of the Concurrent Resolution on the Budget for Fiscal Year 2011.

I hope this letter is useful to the Committee on the Budget in its deliberations, and I look forward to working with you on the Function 150 budget.

Sincerely,



HOWARD L. BERMAN
Chairman

HLB:dc/mco

HOWARD L. BERMAN, CALIFORNIA
CHAIRMAN

GARY L. ACKERMAN, NEW YORK
ENI F.H. FALEOMAVAEGA, AMERICAN SAMOA
DONALD M. PAYNE, NEW JERSEY
BRAD SHERMAN, CALIFORNIA
ELIOT L. ENGEL, NEW YORK
BILL DELAHUNT, MASSACHUSETTS
GREGORY W. MEEKS, NEW YORK
DIANE E. WATSON, CALIFORNIA
RUSS CARNAHAN, MISSOURI
ALBIO SIRES, NEW JERSEY
GERALD E. CONNOLLY, VIRGINIA
MICHAEL E. MCMAHON, NEW YORK
JOHN S. TANNER, TENNESSEE
GENE GREEN, TEXAS
LYNN WOOLSEY, CALIFORNIA
SHEILA JACKSON LEE, TEXAS
BARBARA LEE, CALIFORNIA
SHELLEY BERKLEY, NEVADA
JOSEPH CROWLEY, NEW YORK
MIKE ROSS, ARKANSAS
BRAD MILLER, NORTH CAROLINA
DAVID SCOTT, GEORGIA
JIM COSTA, CALIFORNIA
KEITH ELLISON, MINNESOTA
GABRIELLE GIFFORDS, ARIZONA
RON KLEIN, FLORIDA
VACANCY

RICHARD J. KESSLER
STAFF DIRECTOR

DOUGLAS J. CAMPBELL
DEPUTY STAFF DIRECTOR

SHANNA WINTERS
GENERAL COUNSEL AND SENIOR POLICY ADVISOR

ONE HUNDRED ELEVENTH CONGRESS

CONGRESS OF THE UNITED STATES

COMMITTEE ON FOREIGN AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

TELEPHONE: (202) 225-5021
HTTP://WWW.FOREIGNAFFAIRS.HOUSE.GOV/

ILEANA ROS-LEHTINEN, FLORIDA
RANKING REPUBLICAN MEMBER

CHRISTOPHER H. SMITH, NEW JERSEY
DAN BURTON, INDIANA
ELTON GALLEGLY, CALIFORNIA
DANA ROHRABACHER, CALIFORNIA
DONALD A. MANZULLO, ILLINOIS
EDWARD R. ROYCE, CALIFORNIA
RON PAUL, TEXAS
JEFF FLAKE, ARIZONA
MIKE PENCE, INDIANA
JOE WILSON, SOUTH CAROLINA
JOHN BOOZMAN, ARKANSAS
J. GRESHAM BARRETT, SOUTH CAROLINA
CONNIE MACK, FLORIDA
JEFF FORTENBERRY, NEBRASKA
MICHAEL T. MCCAUL, TEXAS
TED POE, TEXAS
BOB INGLIS, SOUTH CAROLINA
GUS M. BILIRAKIS, FLORIDA

YLEEM D.S. POBLETE
REPUBLICAN STAFF DIRECTOR

MARK C. GAGE
REPUBLICAN DEPUTY STAFF DIRECTOR AND
DIRECTOR, EUROPE AND EURASIAN AFFAIRS

DOUGLAS C. ANDERSON
REPUBLICAN CHIEF COUNSEL

March 5, 2010

Hon. John M. Spratt, Chairman
Hon. Paul Ryan, Ranking Member
Committee on the Budget
207 Cannon HOB
Washington D.C. 20515

Dear Chairman Spratt and Ranking Member Ryan:

I am writing to share the views of the Minority on the House Foreign Affairs Committee regarding the President's proposed budget for Fiscal Year 2011. They include views submitted by the Subcommittee Ranking Members and concerns shared by other Republican Members of the Committee. Please accept the views in this letter as separate from "views and estimates" to be provided on the FY 2011 budget proposal by the Chairman of the Foreign Affairs Committee.

Our nation's economic and fiscal situation has changed *drastically* over the course of the past year.

Yet, the President's Fiscal Year 2011 budget request plans for at least $1.3 Trillion in new borrowing by the federal government over just that one year, 40% of the total spending by the government during that year --- and to be added to the more than $12 Trillion public debt we already owe.

The President himself has spoken of selective "freezes" on parts of the federal budget. However, the President's budget request for $52.8 Billion in foreign aid and State Department operations funding in FY 2011 neither "freezes" nor makes reasonable spending reductions in those areas where that could be done.

Although the International Affairs account is not a major part of our overall budget, we need to find places where we can slow down or "freeze" spending. It is with that in mind, that I forward the following recommendations and views:

FISCAL RESPONSIBILITY

USAID Development Assistance

As the President's budget request recognizes, our AID Development Credit Authority (DCA) program has a proven track record of significantly leveraging private financing in support of development aid to impoverished countries – mobilizing over $1.8 Billion to date in local private financing at a budget cost of the USG of only $61 Million. More than 62 of AID's overseas missions have used the program to enter into 220 credit guarantee agreements in virtually every development sector. The FY 2011 request for transfer authority to the DCA may be increased from the requested $35 Million in FY 2011 to $100 Million (with administrative expenses increased from $8.3 Million to $25 Million), with a simultaneous decrease of $230 Million in the request funded for AID Development Assistance (DA) account, a 9% increase rather than 18%. The ability of the DCA program to greatly leverage USG funding, combined with a still generous increase of 9% in the DA account should allow for the *saving of $230 Million* for our taxpayers while continuing with significant development activities.

Peace Corps

The President's request includes an increase of $46.15 Million in FY 2011 for the operations of the Peace Corps. This would come on top of an increase of $60 Million for the Peace Corps in FY 2010. In light of the recent increase and the need for spending freezes, this request should be "frozen" at the current fiscal year level, *saving $46.15 Million.*

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) received an increase in funding of $230 Million between FY 2009 and FY 2010. The President's FY2011 budget requests a further $174.7 million increase in MCC funding. In light of the recent increase in MCC funding, the hundreds of millions of dollars reported to be held by the MCC in appropriated but unobligated funds, and questions about its engagement in certain countries, such as Senegal, despite government corruption, the FY 2011 request for this account should be frozen (for a *savings of $174.7 Million*).

Multilateral Economic Assistance

In the Multilateral Economic Assistance accounts, we recommend "freeze" at FY 2010 levels in the funding for selected International Financial Institutions, including: the World Bank's International Development Association, the Asian Development Bank, the Asian Development Fund, the African Development Fund and the Inter-American Investment Corporation. Such selective freezes would result in *total savings of more than $156 Million*.

FISCAL ISSUES EXACERBATED BY LACK OF ACCOUNTABILITY/ POLICY CONCERNS

Freeze at FY 2010 levels

State Department

The President's budget submission for Fiscal Year 2011 proposes continued, dramatic growth of State Department personnel, salaries, and bureaucracy without regard to the need for fiscal restraint, or the economic realities being faced by American taxpayers. The $9.55 billion being sought for the State Department's basic salaries and operations account (Diplomatic & Consular Programs), represents a single-year increase of 16%. When combined with last year's huge increase (which included a 23% increase in the base pay of Foreign Service Officers stationed overseas), this constitutes an increase of more than one-third in two years (33.4% over FY09 levels). These increases do not include the $1.8 billion being sought in the anticipated FY10 Supplemental for Iraq, Afghanistan, and Pakistan.

It is difficult to justify or reconcile such significant increases when ongoing concerns exist about the degradation of administrative and oversight functions within the Department of State, particularly in the area of personnel management, where there have been serious, uninvestigated allegations of systemic abuse (including the suppression of whistleblower complaints, abuse of the personnel system for monetary gain, abuse of the grievance process, and retaliation against complainants). These concerns are exacerbated by the lack of an Inspector General for the Department of State in recent years, and a lack of confidence among some State personnel regarding the functionality and integrity of the current OIG office.

Contributions to International Organizations

Amounts provided in FY 2011 to various international organizations under the Contributions to International Organizations account can be "frozen" at FY 2010 levels. Such organizations would include: the IAEA, the ILO, the IMO, the ITU, UNESCO, the UPU, the WIPO, the OAS, the OECD, the NATO Parliamentary Assembly, the Pacific Community, Asia-Pacific Economic Cooperation, the CCC, the HCOPIL, the IBPCT, the IBPCA, the IBWM, the International Center for the Study of Preservation and Restoration of Cultural Property, the ICO, the ICSG, the IGC, the IHO, the IIUPL, the ILZSG, the IOLM, the IRSG and the ITLOS. This series of "freezes" would result in total savings of more than $34 Million.

Yemen

Economic Support Fund: $34 million (580% above FY 2010)

U.S. assistance to Yemen has not prevented the Government of Yemen from acting in bad faith as it refuses to crack down unequivocally on violent Islamist militants (including al-Qaeda members or affiliates) and still supports Hamas, a Foreign Terrorist Organization. There should be conditionality to demand results before increasing economic and development assistance. President Obama's former adviser, Mr. Bruce Riedel, supported such linkage at a February hearing of the Foreign Affairs Committee. It is also unclear that U.S. assistance to Yemen is integrated into a clear and implementable strategy, or that U.S. personnel in Yemen can ensure the absorptive capacity or program and operational security necessary to expend and implement the dramatic increases in funding contained in the FY 2011 budget request. The Minority would propose keeping ESF, FMF, INCLE, and GHCS at FY 2010 numbers for a potential savings of $69.5 million.

Withhold Funding/ Withhold Until Reforms

IAEA—[Voluntary/ NADR]

The 2011 budget proposes increasing the U.S. voluntary contribution to the IAEA from $65 million in FY 2010 to $79.5 million in FY 2011, or 22%. This is unacceptable. Part of the money will be used to support the IAEA's Technical Cooperation Fund. A 2009 report by the General Accountability Office found that the TCF has provided millions of dollars in assistance to the nuclear programs of Iran, Syria, Cuba, and Sudan, which are state sponsors of terrorism. Far from an unconditional increase of $14.5 million, the entire U.S. voluntary contribution should be withheld until reforms are implemented to prevent the TCF from providing nuclear assistance to state sponsors of terrorism.

UNRWA
UNRWA has continually failed to comply with U.S. law, which requires (per section 301(c) of the Foreign Assistance Act) that UNRWA take "all possible measures" to prevent U.S. assistance from benefiting foreign terrorist organizations. UNRWA still does not vet its staff and aid recipients through U.S. watch lists. Unsurprisingly, Humam al-Balawi, the Islamist who carried out an al-Qaeda suicide bombing of a U.S. Army base in Afghanistan that killed seven Americans and one Jordanian, previously worked as a physician at an UNRWA camp in Jordan. UNRWA personnel also continue to compromise their strictly humanitarian mandate by engaging in political propagandizing and advocacy, frequently in favor of Hamas and against Israel. By prohibiting Function 150 funding from being used as a contribution for UNRWA, and revising overall assistance to MRA and ERMA accordingly, this could result in savings of up to $268 million or more.

International Organizations and Programs
UN Development Program (UNDP)
UNDP has been accused of mismanaging funds, resulting in the potential enrichment of dictatorial regimes in North Korea and Zimbabwe. The U.S. Government has even engaged a collection agency to recover millions in taxpayer dollars misspent by UNDP in Afghanistan. UNDP has also been accused of retaliating against whistleblowers who spotlighted such mismanagement, and that organization still has yet to accede to the jurisdiction of an independent ethics office that can properly adjudicate cases of alleged retaliation. After leaving North Korea several years ago due to allegations of mismanagement, UNDP is now restarting operations there, and will be hiring staff from lists handpicked by Kim Jong Il's dictatorship. By prohibiting Function 150 funding from being used as a contribution for UNDP, and revising overall assistance to MRA and ERMA accordingly, this could result in savings of $75.3 million.

UN Population Fund (UNFPA)
UNFPA continues to work in and with China, reportedly facilitating the Chinese regime's coercive population control program, which practices forced abortion and sterilization. Therefore, the U.S. should return to its past practice, consistent with the Kemp-Kasten Amendment, of not funding UNFPA until it ceases its direct or indirect involvement in coercive population control activities. Proposed Savings: $50 million (by prohibiting Function 150 funding from being used for a contribution to UNFPA and revising total IO&P funding figures accordingly).

International Panel on Climate Change (IPCC)/UN Framework Convention on Climate Change (UNFCCC); UN Environment Program (UNEP)
The recent reports over alleged manipulation of data by scientists on the IPCC have delegitimized the UN's already dubious environment- and climate-related activities. There are better uses for $25 million of taxpayer funds. We would propose withholding Function 150 funds for the IPCC/UNFCCC and UNEP, and revising total IO&P funding figures accordingly).

US Institute for Peace
The USG funded the US Institute for Peace with tens of millions, if not more, to build its headquarters. This funding should receive a larger cut for FY 2011 than just 5%. Is the public getting $46.6 million worth of product each year?

Egypt

Economic Support Fund: $250 million. Despite Egypt's increased efforts to police its own border with the Hamas-controlled Gaza Strip, the Government of Egypt has failed to implement meaningful political and economic reforms, and continues to crack down on democratic dissidents and human rights activists. The Government of Egypt has also failed to protect the religious freedom of its citizens, and Egyptian Coptic Christians in particular continue to be targeted for violent attacks. Cutting ESF by 50% and FMF by 25% could result in savings amounting to $450 million.

Transfer Funds

OAS/ NED/ Western Hemisphere

The FY2011 Budget designates "Democracy and Good Governance" as one of its High Priority Performance Goals, however the Administration continues to work to decrease vital funding to the National Endowment for Democracy (NED). In FY2010, the Administration requested a decrease of $15 million and for FY 2011, it is attempting to cut funding to this important organization by $13 million. Further, the budget request no longer includes Cuba and the Andean region as priorities for NED democracy funding. This not only demonstrates a clear disconnect with a stated goal of Function 150 funding but also highlights a troubling trend in which there is a growing lack of focus on those countries in which the state of democracy remains extremely fragile or absent.

By contrast, the OAS continues to fail in its founding mission to serve as a purveyor of representative democracy in the region. It is time we put U.S. taxpayer money to better use by cutting U.S. contributions to the Organization of American States (over $48 million in assessed contributions) and use this funding to raise the funding level for the National Endowment for Democracy instead.

MISPLACED PRIORITIES

Family Planning and Reproductive Health

The administration's request for funding for international family planning and reproductive health activities (totaling approximately $715 million), combined with the January 23rd, 2009 Presidential Memorandum rescinding the "Mexico City Policy," raises serious concerns that U.S. Family Planning and Reproductive Health funds may now flow to foreign non-governmental organizations that promote and perform abortion as a method of family planning. Our concerns are further heightened by Secretary Clinton's April 22, 2009 comments to the House Foreign Affairs Committee indicating that the administration policy is that "reproductive health includes access to abortion." Republicans recognize that the Mexico City Policy is consistent with the International Conference on Population and Development (ICPD) paragraph 8.25 which says "in no case should abortion be promoted as a method of family planning." We oppose the administration's agenda of abortion exportation and, at a minimum, call for reinstatement of the Mexico City Policy protections that prevent funding for foreign NGOs that promote and perform abortion.

Development Assistance/ ESF

Though the budget request explains that Development Assistance (DA) funding will be used to fund programs in the area of democracy and governance, it no longer includes this program area as one of the Administration's principal priorities. The FY2010 DA principal priorities included food security, climate change, education, and long-term democracy governance programs. The list of principal priorities remains essentially the same for FY2011 except that democracy and governance is now conspicuously missing.

The Western Hemisphere is an ideal case in point. The Administration's FY2011 budget requests a nearly $74 million increase in DA funding to the Western Hemisphere at the same time it proposes decreasing Economic Support Fund (ESF) assistance to the region by over $29 million, at a time when the ESF assistance is supposed to be used in the Western Hemisphere to "enhance security, strengthen democratic institutions, invest in people, and promote prosperity." This is another clear example of misplaced priorities in the FY 2011 assistance request.

People's Republic of China
There is no sound reason for the United States to give the PRC, a country run by a communist dictatorship which gives its citizens almost no personal liberties, nearly $13 million in aid. That includes $5 million in the form of Economic Support Funds. America has an annual greater than a $200 billion trade deficit with the PRC, and it now owns almost $800 billion of our debt.

Cambodia
In the case of Cambodia, we are to give that country over $44 million to support its economy and for "military financing." Cambodia just returned Uyghur refugees to the PRC where they will undoubtedly be persecuted, tortured and very possibly, executed. U.S. funds should not be going to this regime and would undermine those struggling for freedom and human rights in the country.

Socialist Republic of Vietnam
The SRV, another communist country, is getting over $95 million in aid, including money for "military financing." Why is the U.S. subsidizing oppression?

Counterterrorism Cuts in TSCTP
The Administration claims it wants to put the Department of Defense and our civilian-led agencies on more equal footing by "rebalancing" resources for contingency operations and reconstruction activities. In a similar light, the Administration says it wants to enable the State Department to "assume a primary role in the USG strategy for countering terrorism through attacking terrorist networks and countering violent extremism." Yet, the FY 2011 budget request drastically cuts funding for the Trans-Sahara Counterterrorism Partnership (TSCTP), a critical counterterrorism/counter extremism program on the African Continent.

According the budget documents, Economic Support Funds (ESF) for the TSCTP will be cut by $8 million (72%), INCLE will be cut by just under $1 million (48.5%), and Peacekeeping Operations (PKO) will be cut by $1 million (5%). Country-specific allocations reveal even deeper cuts at a time when al Qaeda is expanding its influence on the continent and establishing relationships with narco-traffickers and other FTOs from Latin America.

OTHER POLICY ISSUES

International Fund for Ireland
The U.S. has been the single largest donor to the International Fund for Ireland since its inception and this level of support underscores the U.S. commitment to peace in Northern Ireland. This aid is especially important at this time because we are in a new phase in the peace process. The inter-communal violence of the past has largely been eliminated. However, there is still much work to be done to bring about reconciliation between the Catholic and Protestant communities. Therefore, the Minority does not support the complete elimination of support for the International Fund for Ireland.

Economic Support Fund – Cyprus
While the Minority on the HCFA is supportive of continued U.S. assistance to Cyprus, legislation providing such aid should be accompanied by language that ensures that such funds are coordinated with the Government of Cyprus.

In closing, the International Affairs Account has grown significantly over the past decade. It was $23.4 Billion in Fiscal Year 2000. By 2010, it had grown to $50.6 Billion --- a 116% increase. We should be focused on doing more for less and maximizing the efficiency and impact of our foreign aid programs without further increasing the financial burden on our nation and taxpayers at a time of great economic strain.

The Minority on the Committee on Foreign Affairs hopes you find these views helpful to your deliberation on the budget.

Sincerely,

ILEANA ROS-LEHTINEN
Ranking Member

BENNIE G. THOMPSON, MISSISSIPPI
CHAIRMAN

PETER T. KING, NEW YORK
RANKING MEMBER

One Hundred Eleventh Congress
U.S. House of Representatives
Committee on Homeland Security
Washington, DC 20515

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
House Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, section 301 (d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 et seq.), the Committee on Homeland Security is transmitting herewith to the House Committee on the Budget its views and estimates on all matters within its jurisdiction or functions to be set forth in the budget of Fiscal Year 2011.

I appreciate the opportunity to express the views of the Committee on Homeland Security and its various Members on the President's budget.

Sincerely,

Bennie G. Thompson
Chairman

Enclosure

cc: The Honorable Peter T. King, Ranking Member

BENNIE G. THOMPSON
Chairman

PETER T. KING
Ranking Member

LORETTA SANCHEZ

LAMAR S. SMITH

JANE HARMAN

MARK E. SOUDER

PETER DEFAZIO

DAN LUNGREN

ELANOR HOLMES NORTON

MIKE ROGERS

ZOE LOFGREN

MICHAEL T. MCCAUL

SHEILA JACKSON LEE

CHARLIE DENT

HENRY CUELLAR

GUS M. BILIRAKIS

CHRISTOPHER P. CARNEY

DR. PAUL BROUN

YVETTE D. CLARKE

CANDACE MILLER

LAURA RICHARDSON

PETE OLSON

ANN KIRKPATRICK

ANH "JOSEPH" CAO

BEN RAY LUJAN

STEVE AUSTRIA

WILLIAM L. OWENS

BILL PASCRELL, JR.

EMANUEL CLEAVER

AL GREEN

JAMES A. HIMES

MARY JO KILROY

ERIC J. J. MASSA

DINA TITUS

THE VIEWS AND ESTIMATES OF THE COMMITTEE ON HOMELAND SECURITY ON THE FISCAL YEAR 2011 BUDGET FOR THE DEPARTMENT OF HOMELAND SECURITY

Pursuant to clause 4(f) of Rule X of the Rules of the House of Representatives, and section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. 601 et seq.), the Committee on Homeland Security (Committee) is transmitting herewith to the House Committee on the Budget its Views and Estimates on matters within its jurisdiction and functions to be set forth in the budget for Fiscal Year (FY) 2011. The Views and Estimates were circulated to all Members of the Committee for their review and comment. While this document reflects the bipartisan views of the Members of the Committee, we note that not all Members necessarily agree with every aspect of the Views and Estimates nor are all subjects of interest to individual Members discussed herein. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work through the legislative process.

OVERVIEW

March 2010 marks the seventh anniversary of the Department of Homeland Security (Department or DHS), which was established in the wake of the terrorist attacks of September 11, 2001 with the goal of achieving a more efficient and better coordinated national effort to deter, detect, prepare for, and respond to terrorism, natural disasters and other catastrophic incidents. Under the *Implementing Recommendations of the 9/11 Commission Act of 2007*, Congress required the Department to assess and analyze its homeland security missions and activities so that it could institute policy initiatives and create budget plans to advance those responsibilities. In February 2010, the Department released its first Quadrennial Homeland Security Review (QHSR), providing its strategic approach to its mission priorities in homeland security.

The Department's FY 2011 budget request seeks to support its non-homeland security missions as well as the following five mission areas, as identified in the QHSR: (1) preventing terrorism and enhancing security; (2) securing and managing our borders; (3) enforcing and administering our immigration laws; (4) safeguarding and securing cyberspace; and (5) ensuring resilience to disasters.

For FY 2011, the President requested $56.34 billion in total budget authority for the Department, a $987.88 million (1.78%) increase above the FY 2010 enacted level. The Committee supports this slated increase and believes these funds will continue to help the Department execute both its homeland security and non-homeland security missions.

Given the current fiscal environment, the Committee is pleased that the President proposed an increase in budgetary resources for the Department, even as other Federal agencies' budgets have been proposed to be frozen or cut. Yet, we note that the proposed increase for FY 2011 is a modest one and that the Department could always use

additional resources to enhance its performance of homeland security missions. The Committee hopes that this proposed increase is indicative of a continued commitment to making homeland security a priority for the Nation and investing in homeland security in the years to come. Further evidence of the Administration's commitment to homeland security is the reversal of its FY 2010 projections for a steady decline in the Department's funding over the next five years. In its first year, the Administration had the fiscal flexibility to reallocate financial resources to respond to the drug violence along the Southern border, natural disasters, and other incidents requiring the mobilization of DHS personnel. With the projected increase in DHS funding for the FY 2011 request, the Committee believes the Department will be better suited to respond effectively to terrorism and other hazards.

Although, the Committee generally agrees with the President's overall budget request, the Committee has identified the following areas of concern within the budget request: (1) United States Coast Guard; (2) Federal Emergency Management Agency (State and Local Programs); (3) Customs and Border Protection; (4) Transportation Security Administration; (5) National Cyber Security Division; (6) Science and Technology Directorate (University Programs); (7) Domestic Nuclear Detection Office; and (8) National Protection and Programs Directorate.

Below, please find the Committee's specific analysis on key aspects of this request as well as the Committee's recommendations for approaches to reduce wasteful Federal spending and promote deficit reduction and long-term fiscal responsibility, as required under section 425 of the FY 2010 Congressional Budget Resolution, S. Con. Res. 13.

UNITED STATES COAST GUARD

The President's FY 2011 budget requests $10.08 billion for the United States Coast Guard (Coast Guard) and proposes to cut $340 million (3.3%) from the FY 2010 enacted budget, resulting in reductions in the military workforce (1,112 positions/people) and significantly fewer resources for the Coast Guard's homeland security missions, including the Maritime Safety and Security Teams. The Committee opposes the proposed reductions in the budget request and notes that over the past two years Commandant Thad Allen has stated that the Coast Guard's workforce needs to grow to meet the current demand for services. Moreover, the Committee believes that these proposed cuts will result in reducing the Coast Guard's homeland security and counterterrorism capabilities and responsibilities.

MSST/MSRT. The FY 2011 budget request proposes to save $18.2 million by decommissioning five of its twelve Maritime Safety and Security Teams (MSSTs) in furtherance of a more regional approach to the MSST program. According to the Coast Guard, under this new approach, the Coast Guard would terminate 395 of the approximately 450 billets, and not redistribute them among the remaining seven MSSTs. The Committee believes that this proposed reduction -- which would reduce MSST capacity by 42% -- is troubling and will limit the Coast Guard's ability to fulfill the

homeland security and counterterrorism missions that the Coast Guard was assigned in the wake of the September 11, 2001 terrorist attacks.

Congress established the MSSTs in the Maritime and Transportation Security Act of 2002 (P.L. 107-295) to "safeguard the public and protect vessels, harbors, ports, facilities, and cargo...from destruction, loss or injury from crime, or sabotage due to terrorist activity...." These teams are required to be able to "*deter, protect against, and rapidly respond to threats of maritime terrorism*" [emphasis added]. Since the inception of MSSTs in 2002, the Coast Guard has spent over $320 million in training, equipping, and operating the five MSSTs it proposes to decommission (Anchorage, Kings Bay, New Orleans, New York, and San Francisco) to fulfill the Coast Guard's homeland security missions and counterterrorism operations.

MSSTs and the Maritime Security Response Team (MSRT) are considered national assets and are tasked and controlled by the U.S. Deployable Operations Group. MSSTs are not only employed in their respective homeports, but are frequently deployed in other areas of responsibility, including overseas. In fact, between 2007 and 2009, the New Orleans MSST conducted 30 maritime homeland security operations across 15 states. The MSRT is a specialized and more robust MSST that possesses significantly enhanced capabilities, including the ability to operate effectively in a chemical, biological, radiological, or nuclear environment. It includes specially trained aviation personnel and is able to vertically insert (via fast rope) Coast Guard personnel onto non-compliant vessels. The Coast Guard's MSRT is the only Federal resource trained to forcibly board a ship at sea, overtake an opposing crew, and move the ship to a safe distance.

Deepwater Fleet Revitalization Program. Both the Department and the Coast Guard have indicated that the proposed Coast Guard budget emphasizes recapitalization of the Coast Guard's deepwater fleet, which will require some decreases in capacity and operations. However, despite these assurances, the Committee is concerned that the FY 2011 budget includes no funding for the long lead-time necessary for building the sixth of eight National Security Cutters. This marks a significant departure from previous fiscal years and will delay the rate of recapitalization of aging Coast Guard assets. Given the well-documented gaps in acquisitions oversight of the program, the Committee strongly supports resources to ensure that there are adequate program management resources within the Coast Guard to manage this complex procurement. The Committee believes that robust acquisitions oversight is essential to ensure that the new fleet will meet the agency's operational needs without creating waste, schedule delays, and cost overruns.

Decreased Maritime Patrol Aircraft Hours. The Committee is concerned about proposed decreases to available aircraft hours for maritime surveillance in support of the Coast Guard's port, waterways, drug enforcement, law enforcement, and coastal security missions under this budget request. Specifically, despite persistent shortfalls in available maritime patrol aircraft hours, the budget request proposes to decrease the number of available aircraft to patrol the eastern seaboard. Under this budget proposal, anticipated flight hours would be reduced by 3,200 hours, or roughly 8%. The Committee believes

that this loss of flight hours will directly impact the Coast Guard's ability to conduct its drug enforcement, law enforcement, and port, waterways, and coastal security missions.

FEDERAL EMERGENCY MANAGEMENT AGENCY (STATE AND LOCAL PROGRAMS)

For FY 2011, the President requested $4 billion for State and Local Programs at the Federal Emergency Management Agency (FEMA), which represents a decrease of $164.6 million or 4% from the FY 2010 enacted levels. Most notably, the President's request for the Assistance to Firefighter Grant Program (AFG), and the Staffing for Adequate Fire and Emergency Response (SAFER) grant program is $610 million, which is $200 million or 25% below last year's enacted level. With well over $3 billion in applications submitted to FEMA in a single year, it is clear that firefighters throughout the country rely on this funding source for much-needed training, equipment, vehicles, staffing, and other critical resources. The Committee notes that the proposed cuts to State and Local Programs – particularly the AFG and SAFER programs – come at a difficult time for our Nation's first responders as State and local governments face budget crises that force them to delay critical equipment purchases, staffing, training, and other expenses. The Committee recommends State and Local Programs, including the AFG and SAFER programs, should be funded – at a minimum – at the FY 2010 enacted levels.

Within the 4% reduction in the FEMA grant programs is a budget proposal to consolidate several key grant programs, including the Metropolitan Medical Response System, Citizen Corps Program, Interoperable Emergency Communications Grant Program, and the Driver's License Security Grant Program into the Homeland Security Grant Program (HSGP). The Committee believes that consolidating these grant programs into HSGP will significantly reduce the amount of Federal assistance available to support important State and local preparedness capabilities, particularly individual readiness, medical surge capacity, and interoperable communications. The Committee urges keeping these four grants as stand-alone programs and separate from HSGP.

At the same time the budget request proposes to cut overall State and local grant funding by 4%, the Administration has requested up to $200 million in the Urban Area Security Initiative (UASI) for security related to hosting terror-related trials. Should there be a determination that this funding is not necessary for such trials in FY 2011, the Committee urges that this $200 million be prioritized for FEMA's State and Local Programs such as the UASI, AFG, and SAFER programs.

CUSTOMS AND BORDER PROTECTION

The FY 2011 budget request calls for $9.82 billion in net discretionary spending for Customs and Border Protection (CBP), which is $317.44 million (-3.13%) below the FY 2010 enacted budget of $10.13 billion. Overall, the budget requests 58,575 Full Time Equivalents (FTEs), which is an increase of 352 FTEs from FY 2010, though the number of certain personnel, such as Border Patrol agents, would be reduced. The Committee notes that CBP is a partially fee-funded agency and fee revenues have declined by over 8% just in FY 2009 — thereby constraining the agency's budget and forcing CBP to seek

appropriations to maintain staffing that had previously been funded through fees. The Committee recognizes the fiscal constraints facing CBP but has concerns about planned reductions in certain key areas of the agency's budget such as international maritime cargo screening and Border Patrol staffing. Additionally, with respect to the SBI*net* program, the Committee acknowledges the impact of the ongoing implementation delays on the budget request for FY 2011, and supports the Secretary's efforts to ensure that the technology is effective before moving forward with wide-scale implementation. However, the Committee is concerned that the Department has not articulated its future strategy for enhancing security of the border.

Cargo Security. The Committee is concerned about the direction that the Department is taking with respect to international maritime cargo screening. The budget request for FY 2011 proposes $84.45 million for international cargo screening, $77.56 million (-47.87%) less than the FY 2010 enacted level of $162 million. Specifically, the President is seeking a reduction of $16.6 million for the Secure Freight Initiative (SFI) Program, under which three of the five existing SFI ports (Honduras, Southampton, and Korea) will become Container Security Initiative (CSI) ports.[1] Furthermore, the budget requests a decrease of $50.75 million for CSI. The Committee is seeking additional information from DHS on the proposed reductions to the CSI program as it represents a movement towards remote targeting and examinations of freight (through electronic imaging) at the National Targeting Center in Northern Virginia in lieu of physical presence of CBP personnel at the ports. The Committee supports the continuation of overseas collaboration between CBP personnel, who conduct risk assessments on cargo, and port staff who conduct scanning at the international ports.

Personnel. While the Committee supports the overall increase in funding for CBP personnel in order to cover the gap created from reduced fee revenue, the Committee has reservations about the proposed reduction in staffing levels for Border Patrol agents. Overall, the FY 2011 budget requests $7.36 billion for salaries and benefits at CBP, which is an approximately $940 million (14.64%) increase above the FY 2010 enacted budget amount of $6.42 billion. Of the $940 million increase, $310.4 million is an adjustment to base funding to support CBP's efforts to implement a journeymen pay increase for frontline CBP Officers, Border Patrol agents, and Agricultural Specialists from the GS-11 to the GS-12 level. The Committee supports this proposal.

Although the Committee is supportive of funding increases for personnel, the Committee is concerned about the budget's proposal to reduce the number of Border Patrol agents by 181 positions. The Committee opposes any cuts to Border Patrol staffing levels at the Northern or Southern border, and urges rejection of any proposals to do so. During budget briefings provided to the Committee, CBP officials stated that the reductions to Full Time Equivalent (FTE) positions in the Border Patrol would be accomplished by natural attrition and there will be no "reduction in force" actions. The Committee recognizes that Congress has provided extensive resources in recent years to double the

[1] The main distinction between the programs is that all U.S.-bound cargo at SFI ports get scanned whereas only certain U.S.-bound cargo undergoes a risk-based examination at CSI ports.

size of the Border Patrol, and strongly believes that the significant staffing gains should be maintained to the greatest extent practicable.

SBInet. The Committee supports the Secretary's review of the SBI*net* program, which is the Federal government's third major attempt at developing a technology solution for enhancing security along America's borders. The Committee has conducted extensive oversight of the program, which was intended to establish a "virtual fence" along the Nation's borders using cameras, sensors, radar, and other equipment.

For FY 2011, the Department requests approximately $505 million for SBI*net*, which is a decrease of $303 million (-42.8%) from the FY 2010 enacted amount of $708 million. The Committee understands that funding for SBI*net* will be used for (1) operations and maintenance required for SBI technologies and surveillance systems; and (2) development and deployment to provide technology and tactical infrastructure solutions so that CBP can achieve effective control of the U.S. borders. The Committee notes that though CBP still intends to implement SBI*net* during FY 2011, planned deployment of the system across Arizona is slated to be delayed until FY 2013. Therefore, CBP is requesting less funding for the program for FY 2011 in light of the new, protracted deployment schedule.

The Committee is supportive of testing and evaluation of the SBI*net* program and urges the Secretary to maintain the Department's commitment to deploying effective border security technology to enhance operational control of the border. The Committee will continue to exercise close oversight of the SBI*net* program and other related initiatives.

TRANSPORTATION SECURITY ADMINISTRATION

The President's FY 2011 budget request includes $5.8 billion for aviation security. This represents a $345 million increase from FY 2010 enacted levels. The President requested an overall 7% increase in funding for the Transportation Security Administration (TSA) – one of the more notable increases in the overall DHS budget request for FY 2011. In light of the attempted terrorist bombing on Northwest Airlines flight 253 on December 25, 2009, the Administration appropriately requested an increase in funding. The Committee supports increased funding to secure aviation transportation, including funding for 275 detection canine teams.

The bulk of the increased funding sought for TSA would cover the deployment and staffing of an additional 500 Advanced Imaging Technology (AIT) systems. While there is significant evidence that broader AIT deployment would enhance aviation security, the Committee is not confident that TSA will be able to allocate such sizable resources within the timeline set forth in the FY 2011 budget. At this time, the Committee understands that TSA is in the process of developing a risk assessment for the airport checkpoints, but the agency has not yet completed this effort. Additionally, the Government Accountability Office has not yet been able to determine whether there are any vulnerabilities associated with AITs that may undermine the effectiveness of this technology. The Committee anticipates the opportunity to review these important

assessments and receive an analysis of the AIT pilot, at which time the Committee will be able to fully assess this budget request.

NATIONAL CYBER SECURITY DIVISION

The Committee notes that the President's unclassified budget request for the National Cyber Security Division for FY 2011 is $379 million, which is a decrease of $18.4 million from the FY 2010 enacted level. While the Committee is not at liberty to discuss the classified budget submission for cyber security at DHS, the Committee notes that this decrease comes at a time when cyber security is consistently identified as a top priority for the Administration and when cyber attacks are a core and growing threat to U.S. security. The national security and economic prosperity of the United States and the daily functioning of government are dependent on a dynamic public and private information infrastructure, which includes telecommunications, computer networks and systems, and the information residing within. Malicious cyber activity is occurring on an unprecedented scale with extraordinary sophistication. The Department responds to these attacks on the cyber networks by analyzing and reducing cyber threats and vulnerabilities. The Committee supports adequate funding to allow DHS to fulfill its Federal role in our National efforts to secure cyber networks.

SCIENCE AND TECHNOLOGY DIRECTORATE (UNIVERSITY PROGRAMS)

While the Committee supports the budget request for the Science and Technology Directorate (S&T) in general terms, the Committee opposes the nearly 20% reduction in funding for University Programs that is proposed. Specifically, in the S&T budget request, the President requests $40.0 million for the University Programs account, a $9.35 million decrease (-18.94%) below the $49.35 million enacted in FY 2010. Notably, the University Programs line item is subject to the largest single percentage decrease of any activity within S&T. The University Programs Division supports research and education at U.S. colleges and universities to address high-priority homeland security issues and to enhance homeland security capabilities over the long term. These reductions will take place in the Centers of Excellence (COEs), Minority Serving Institutions (MSIs), and Education Programs. Given that the Committee has long been supportive of University Programs, the prospect of a nearly 20% reduction in support for these vital research and scientific academic pipeline programs raises significant concerns.

The Committee believes more needs to be done to demonstrate an ongoing commitment towards developing the future homeland security experts on the campuses of America's colleges and universities. Thus, the Committee requests $49.35 million for University Programs, equal to the enacted FY 2010 level.

DOMESTIC NUCLEAR DETECTION OFFICE

The President's FY 2011 budget requests $305.82 million in net discretionary spending for the Domestic Nuclear Detection Office (DNDO). This is a decrease of $77.2 million (20.2%) from the FY 2010 enacted amount of $383.04 million. The Committee notes

that the decrease is reflective of the transfer of the Transformational Research and Development (R&D) Program to the Science and Technology Directorate (S&T). Taking the transfer into account, the FY 2010 enacted amount would have been $274.5 million if the Transformation R&D funding is excluded. Using the adjusted budget figures, the request for DNDO would represent an increase from $274.5 million to $305.8 million, which is an 11.4% increase. The Committee strongly endorses the transfer of Transformational R&D from DNDO to S&T, as the previous practice had created the potential for conflict of interest due to development and procurement activities both run by DNDO. While the Committee generally agrees with the budget request for DNDO, including funding for the Advanced Spectroscopic Portals (ASPs) program, it strongly opposes the elimination of funding for the Securing the Cities initiative, as discussed below.

The Committee supports the Secretary's reassessment of the ASP program and the new direction that the Secretary is taking towards its application. Despite expending $187 million since FY 2004, the ASP program has encountered technological difficulties and delays in certification of this technology for primary scanning at U.S. ports. The Committee believes that development of a targeted plan for deploying this next generation technology in secondary screening is a positive step that would likely result in improved procurement of units. The Committee recognizes that this shift in operational implementation will likely result in far fewer units being procured and savings in the DNDO account.

With respect to another program within DNDO, the Committee opposes the elimination of funding in the budget request for the Securing the Cities program. Rather, the Committee believes this vital security program should be continued and expanded to other metropolitan cities. The Committee believes that instead of cutting the program that has enhanced the regional capabilities in the New York City and surrounding areas to detect and interdict radiological threats, the budget should be supporting an expansion of the program to include other Urban Areas Security Initiative participants. In fact, the Committee approved, and the full House passed, legislation with strong bipartisan support in 2009 to authorize funding for this program and expand it, based on risk, to other jurisdictions (H.R. 2611). Thus, the Committee requests full funding for the Securing the Cities program.

NATIONAL PROTECTION AND PROGRAMS DIRECTORATE

The President's FY 2011 total budget request for the National Protection and Programs Directorate (NPPD) is $2.36 billion, a decrease of $71.04 million (-2.92%) below the FY 2010 enacted level of $2.43 billion. While the Committee generally agrees with the budget request for NPPD, the Committee has concerns about the proposed funding levels for the Office of Infrastructure Protection and the Federal Protective Service.

The FY 2011 budget requests $333.78 million for the Office of Infrastructure Protection. The Committee is concerned about the reduction of the Office's budget by approximately $13 million over last year's enacted levels. The Office provides critical support,

oversight, and analysis for hundreds of high-risk critical infrastructures sites. The Committee is also concerned that some troubled programs (i.e. the Infrastructure Information Collection Division) are slated to be increased while successful ones would be decreased (i.e. Vulnerability Assessment program).

Chemical Facility Anti-Terrorism Standards (CFATS). The Committee is also concerned that the proposed budget includes no additional funding for the Infrastructure Security Compliance Division, nor does the budget support increases in inspectors, as the Division begins the work of reviewing thousands of assessments and security plans for compliance with security regulations. The Committee believes that the President's FY 2011 budget does not provide adequate resources for the Department to hire additional chemical facility inspectors to ensure compliance with CFATS. With over 6,000 chemical facilities regulated, the Committee believes it is vital that the inspector workforce match the need for inspections over the next few years.

Federal Protective Service. The FY 2011 budget request includes $1.15 billion in offsetting collections authority for the Federal Protective Service (FPS). The request includes $220 million for basic security functions, $420 million for building specific security, and $475 million for Security Work Authorizations providing for additional security services and contract guards determined by the operational security needs of the customer agencies. The Committee is concerned that the request is flat compared to FY 2010 enacted levels, despite GAO testimony before this Committee revealing serious security gaps caused by FPS' mismanagement of its Contract Guard Program. The Committee notes that when GAO performed tests designed to gauge FPS' ability to detect and prevent dangerous objects from being brought into Federal facilities, FPS had a 100% failure rate for detecting or preventing the intrusions. Furthermore, in November 2009, the Committee received testimony from the FPS Director who indicated his agency might have to sacrifice security resources in other regions in order to properly secure the Federal buildings in New York City in the event of civilian trials of 9/11 masterminds Khalid Sheik Mohammad and his four conspirators. The Committee believes FPS needs to make substantial investments in its oversight of the Contract Guard Program by enhancing the size of the FPS inspector force, thus providing for safer and more secure public buildings.

APPROACHES TO REDUCE WASTEFUL FEDERAL SPENDING AND PROMOTE DEFICIT REDUCTION AND LONG-TERM FISCAL RESPONSIBILITY

Pursuant to section 425 of the FY 2010 Congressional Budget Resolution, S. Con. Res. 13, the Committee has evaluated the Department of Homeland Security's (Department or DHS) budget proposal for Fiscal Year (FY) 2011 as a result of oversight findings and performance reviews conducted by this Committee as well as the DHS Inspector General and the Comptroller General. The Committee believes there are opportunities to reduce wasteful spending, promote deficit reduction, and foster long-term fiscal responsibility at DHS by: (1) addressing the Department's over-reliance on contractors; (2) improving the acquisitions process; (3) advancing department-wide consolidation and integration efforts; and (4) consolidation of homeland security jurisdiction.

ADDRESSING OVER-RELIANCE ON CONTRACTORS

By all accounts when the Department was created in 2003, there was a need for extensive contractor support to stand up operations and build key systems. However, the Committee has observed that in the years since the Department's establishment, reliance on contractors to perform a wide range of activities has become a mainstay in its operations. While the Committee appreciates that there are certain areas where the Department needs to secure the specialized knowledge that exists in the private sector to address particular challenges, the Committee is concerned that its dependence on contractors grew at a rate detrimental to its operations. In particular, the Committee is concerned that reliance on the contractor workforce – reported to comprise just over half of the workforce operating at the Department (approximately 210,000 people) – has, in a number of areas, stood in the way of the Department building internal capacity to plan, evaluate, and run key programs. The Committee believes that development of this internal capacity is critical to the Department's long-term efficacy as an agency and has the potential of reducing the risk of wasteful spending, promoting deficit reductions, and is in line with fostering long-term fiscal responsibility. Therefore, the Committee supports the Secretary of Homeland Security's efforts to reduce the reliance on contractors as well as the request for resources to advance this effort, as reflected in the FY 2011 budget request.

The Committee understands that effort to convert contractor positions to Federal positions, a directive that stems from the Secretary's Efficiency Review, is slated to result in roughly 3,000 contractor positions being converted into Federal positions in FY 2010 alone. If done correctly, this initiative could help the Department achieve a more "balanced workforce". For FY 2011, the budget request calls for a continuation of this effort. Secretary Napolitano testified before the Committee on February 25, 2010 and agreed to provide more details about what job categories are predominantly filled by contractors. Additionally, the Committee is seeking supplementary information from the Department about the approach that it is taking to identify positions for conversion and whether, in the course of the review, unnecessary redundancies in staffing have been identified. Understanding these elements in the Department's efforts is critical to the Committee's continued oversight.

IMPROVING THE ACQUISITIONS PROCESS

A longstanding area of ongoing oversight for the Committee has been the Department's acquisitions systems. Since the Department's creation, this Committee, as well as the DHS Inspector General and the Comptroller General, have observed a number of weaknesses in the Department's acquisition and program management processes including inadequate internal controls, limited departmental oversight of component acquisitions, and overall shortages in its acquisitions workforce. High-profile problems in complex procurements such as the U.S. Coast Guard's Deepwater program and Customs and Border Protection's SBI*net* program exemplify the need for acquisition reform at the Department.

The Committee acknowledges that Secretary Napolitano has begun to address this multi-faceted challenge by, among other things, establishing a new Department directive to govern its acquisitions (Directive 102-01). The reforms reflected in the new directive affect not only future procurements but also allow the Department to revisit current contract obligations. The Committee is pleased to see the changes in acquisition management and believes that strict adherence to the processes set forth in the directive by DHS personnel could help the Department avoid costly mistakes and wasteful Federal spending.

The Committee notes that Secretary Napolitano has undertaken reassessments of the SBI*net* program and the Advanced Spectroscopic Portal (ASP) program — two acquisitions that have encountered significant development and implementation delays. Accordingly, as these programs are reassessed and revised, the Committee recognizes that fewer resources have been allocated in the FY 2011 budget request.

ADVANCING CONSOLIDATION AND INTEGRATION EFFORTS

The Committee is supportive of the continued department-wide efficiency initiatives that will consolidate both the Department's headquarters as well as its data center locations. In the Washington, D.C. area, the Department has seven core components in 85 buildings, occupying approximately 7 million gross square feet of government-owned or leased office space. The costs associated with maintaining these leased spaces are extensive. The Committee supports the Department's consolidation of its personnel at a new headquarters at the St. Elizabeths location in Southeast Washington, D.C. The Committee understands that this approach to promote integration of the Department's operations will yield long-term savings and is consistent with goals in fiscal responsibility. Therefore, the Committee believes inclusion of $287.8 million in the FY 2011 budget for the Office of the Under Secretary for Management for the DHS Headquarters Consolidation project is a positive step towards achieving "One DHS" and maximizing efficiencies and cost-savings through consolidation of operations. The cost of the total project is spread out over 12 years and is estimated to be approximately $3.4 billion. Of the total cost, the General Services Administration (GSA) will be responsible for $2 billion and the Department $1.4 billion.

As with the consolidation of operations into one headquarters, the Committee identifies housing of the Department's data centers as an area where efficiencies could be achieved. Specifically, the Committee supports the migration of the 19 separate data centers that the Department currently supports to two central locations, and believes that this migration will help reduce wasteful Federal spending and promote deficit reduction by fostering long-term fiscal responsibility in this core activity. In the FY 2011 budget request, the Administration is seeking $192.2 million to support this consolidation.

CONSOLIDATION OF HOMELAND SECURITY JURISDICTION

Over the years, the Committee has received testimony that Departmental officials currently respond to information requests, oversight inquiries, and hearing invitations from 108 Congressional committees and subcommittees, including two commissions. Since the establishment of the Department in 2003, Departmental officials have informed the Committee how this situation at times provides conflicting policy guidance to the Department, requires hundreds of staff hours to respond, requires the presence of senior Departmental officials at numerous Congressional hearings and meetings, and consumes extensive resources to produce hundreds of Congressional reports. Therefore, the Committee has identified as another cost-saving approach the full implementation of the 9/11 Commission recommendation to consolidate homeland security jurisdiction in Congress.

Rep. Jane Harman
Additional Comment on the Committee on Homeland Security Views & Estimates

Prompted by the careful oversight of this Committee over the past few years, the Department of Homeland Security's Office of Intelligence & Analysis (I&A) has appropriately refocused its mission on its mandate to collect, analyze and share intelligence on current and emerging threats to prevent future terrorist attacks. I&A plays a unique role within the Department by serving as the bridge between Intelligence Community agencies, DHS components, and the state, local and tribal law enforcement agencies who are best positioned to discover invaluable homeland security intelligence and information.

I&A's top priority should be to collaborate with law enforcement and fusion centers to "connect the dots" of otherwise unrelated information into an intelligence product that helps protect American communities. In the aftermath of 9/11, States created fusion centers to develop a more robust analytical capability better able to support both homeland security and local law enforcement needs. While we have learned throughout the growth and development of these centers that one size does not fit all, they fill some of the information-sharing gaps that existed between federal, state, and local partners nationwide, while helping ensure that intelligence is informed by regional, state and local nuances. Consequently, I&A efforts to deploy 57 intelligence officers to fusion centers nationwide and plans to deploy a total of 76 officers by the end of FY 2010 is welcome news.

I am also pleased that working in cooperation with the Interagency Threat Assessment and Coordination Group, I&A now customizes intelligence products to address the needs of state and local law enforcement. The I&A budget request for FY 2011 directly supports this mission.

However, there are a number of issues that I&A must still work to resolve. First, I applaud enhancements made to support the Department's privacy and civil liberties policies, including funds requested in the FY2011 budget to hire civil liberties experts to review all intelligence products created by I&A and the decision to eliminate the National Applications Office program that had neither sufficient protections nor sufficient governance structures in place to safeguard privacy and civil liberties. Nonetheless, these efforts are just first steps. I&A must continue to lead from the front, both in terms of the privacy and civil liberties protections that it builds into its organization and processes, as well as in the fusion centers, where I&A has rightly assumed the role of the primary federal facilitator.

Second, although I&A has finally refocused its mission and is growing into its own unique role, I&A's history has shown us that articulating a mission and its underlying principles alone is not enough. I&A continues to struggle to develop comprehensive strategy and organizational structure that can help guide it to the successful outcome of its important mission. In the early days, I&A routinely neglected its relationship with state and local law enforcement, which is why I urged the President and the Secretary to nominate someone with extensive law enforcement experience to be the head of this office. So, I&A must work to coordinate all of its elements – the vision of its able leaders in Caryn Wagner and Bart Johnson, its mission, a supporting strategic plan and corresponding metrics – to meet the expectations of those who rely upon it.

Third, while both the previous budget and this budget request supported efforts to convert contract employees to federal employees, I understand that I&A has made little progress in shifting the current staff level balances between these two categories. Bart Johnson, then Acting Under Secretary for I&A, testified last summer that approximately 60 percent of the I&A workforce were contractors, while 40 percent were government employees. Contractors are both expensive and fail to support the development of institutional knowledge necessary for an organization to develop effectively and executive strategic planning and programmatic efforts, particularly one that has only recently refined and focused on a critical mission, such as I&A.

ADDITIONAL AND DISSENTING VIEWS OF THE REPUBLICAN MEMBERS OF THE COMMITTEE ON HOMELAND SECURITY ON THE PRESIDENT'S FISCAL YEAR 2011 BUDGET REQUEST

As Republican Members of the Committee on Homeland Security, we share many of the views expressed in the "Views and Estimates of the Committee on Homeland Security on the Proposed Fiscal Year 2011 Budget for the Department of Homeland Security." We do, however, have significant differences of opinion on what we believe to be some of the most urgent priorities for the Obama Administration in the war against terrorism.

9/11 Trials in Article III Civilian Courts

The Republican Members of the Committee on Homeland Security believe that President Barack Obama's decision to transfer admitted 9/11 mastermind Khalid Sheik Mohammad to New York City for Article III civilian trials is one of the worst decisions in presidential history. The Administration did not seek input or consult New York City's mayor, police commissioner, or local officials on monetary costs or local challenges of conducting a trial in New York City. More shockingly, the Administration did not conduct a terrorism threat assessment before making this decision. Only after making the unilateral decision to import terrorists to New York City did the Administration begin to analyze the homeland security ramifications of holding the 9/11 trials in New York City.

According to New York City Mayor Michael Bloomberg, the annual cost of a 9/11 terror trial in New York City would be over $200 million. Such a trial would result in the closing of portions of Lower Manhattan for security purposes and cause a major inconvenience to residents. The citizens of Lower Manhattan are still recovering from the September 11th attacks. Unfortunately, the Obama Administration failed to take these issues into account.

The President's Fiscal Year 2011 budget request includes an increase of $213 million for the Urban Area Security Initiative (UASI). Unfortunately, up to $200 million of this amount is specifically designated for security related to terror trials. Republican Members believe that this funding could be better utilized by localities in the UASI program if the Administration did not pursue its misguided and dangerous plan to try terrorists housed at Guantanamo Bay in civilian courts in the United States.

Military Commissions

Republican Members believe that a trial for Khalid Sheik Mohammad and any detainee housed at Guantanamo Bay should be conducted in a military commission. The U.S. Congress passed the bipartisan Military Commissions Act of 2006 and amended it in 2009 for the distinct purpose of trying terrorists who do not abide by traditional nation state rules of war or are not signatories

to the Geneva Conventions. The legal disposition of detainees should be conducted under a military commission system as outlined in the Military Commissions Act(s) and not in Article III civilian courts.

Law Enforcement Approach to Terrorism

Republican Members believe the Obama Administration is reverting to a pre-9/11 mentality in fighting terrorism by favoring the use of restrictive law enforcement tools and failing to use all the military and intelligence means at their disposal. This mentality was illustrated on Christmas Day 2009 when Nigerian national Umar Farouk Abdulmutallab attempted to blow up Northwest Airlines flight 253 over Detroit. After heroic efforts by passengers and crew to thwart the attempted attack, Abdulmutallab was issued his Miranda rights and given an American taxpayer-funded attorney. As an admitted member of Al Qaeda in the Arabian Peninsula (AQAP) who trained in Yemen, Abdulmutallab possessed actionable intelligence on the planning of future attacks against the homeland. Unfortunately, the Obama Administration's first priority was giving Abdulmutallab legal protections instead of using all means necessary to collect intelligence to help disrupt future attacks. As a country at war, our focus should not be on collecting evidence and building legal cases for trial. This pre-9/11 mentality is dangerous and — if continued — will cost American lives.

Fort Hood Terrorist Attack

On November 5, 2009 U.S. Army Major Nidal Hasan, a Muslim fundamentalist with known ties to radical imam Anwar Awlaki, attacked the U.S. homeland at Fort Hood, TX. Unfortunately, the U.S. Intelligence Community and U.S. Army both had information that — if analyzed and connected appropriately — could have revealed that Major Hasan posed a risk to his fellow soldiers. The failure to share information between law enforcement organizations and the military cost the lives of 13 individuals. Republican Members believe this is unacceptable and support actions taken by the Intelligence Community and Department of Defense to improve information sharing.

In addition, Republican Members of the Committee believe that the Fort Hoot attack revealed a propensity within the military to place political correctness over merit when promoting officers. By all accounts, Major Hasan illustrated basic competency problems and was not living up to the standards expected of a United States Army officer. Instead of dealing with Major Hasan's inadequacies through punishment or reprimand, commanding officers moved him to different assignments and shifted the responsibility to other commands. Republican Members of the Committee urge the Department of Defense to ensure that all officers are promoted on their merit

and that any information suggesting criminal or terrorist ties of any soldiers is shared to the fullest possible extent.

White House Control of Information

Since President Obama was inaugurated on January 20, 2009, information sharing between the Executive Branch and Congress has ceased on numerous homeland security issues. Republican Members of this Committee sent many letters to the Secretary of Homeland Security, Attorney General, Director of the National Counterterrorism Center (NCTC), and other officials requesting information on the closure of Guantanamo Bay, the Fort Hood attack, and 9/11 terror trials in New York City. On almost all requests, Republican Members of the Committee received no response. For an Administration that highlighted openness and transparency last year, this lack of information sharing is worrisome. Republican Members of the Committee have deep reservations about the role of Assistant to the President for Homeland Security and Counterterrorism John Brennan, particularly his reluctance to share needed information with Congress. Republican Members also believe that Mr. Brennan is exerting unwarranted control over the Intelligence Community.

Lack of Consultation

Republican Members are deeply concerned about the lack of consultation among senior officials in the White House, the President's Cabinet, and the leaders of the Intelligence Community. On January 20, 2010 during testimony before the Senate Committee on Homeland Security and Governmental Affairs, Director of National Intelligence Dennis Blair, Secretary of Homeland Security Janet Napolitano, and National Counterterrorism Center Director Michael Leiter all testified they were not consulted on the decision to issue Miranda rights to Northwest Airlines flight 253 bomber Abdul Farouk Abdulmutallab.

In a subsequent hearing on the Northwest Airlines flight 253 terror attack before the Senate Committee on Homeland Security and Governmental Affairs on January 26, 2010, 9/11 Commission Vice Chairman Thomas Kean testified: "The decisions [to charge Abdulmutallab] should never have been made without consulting [and] without the full input of the greater Intelligence Community, particularly the DNI, but also the CIA, the FBI, and other members of the Intelligence Community." In his testimony, former Vice Chairman Kean also highlighted the terror trials in New York City as another example of the failure to consult, stating: "I gather the Attorney General did not consult any member of the Intelligence Community before making that decision which has security implications.... We need to get our act together." Republican Members strongly agree with his assessment.

Similarly, during the House Committee on Homeland Security's hearing on February 25, 2010, Secretary of Homeland Security Janet Napolitano testified that she was not consulted in the decision to transfer 9/11 mastermind Khalid Sheik Mohammad and his fellow conspirators to New York City for trial in Article III civilian courts. As outlined in Executive Order 13492, the Secretary of Homeland Security is a member of the President's task force on detention policy. Republican Members have serious concern that a member of the President's task force, especially the Secretary of Homeland Security, was not consulted on what we believe to be one of the most important homeland security decisions in U.S. history. This lack of consultation is unacceptable and dangerous for our national and homeland security.

Visa Security Program

Republican Members are disappointed and concerned that the President's FY 2011 budget request does not make the Visa Security Program a priority. This program, which places highly trained security officers at overseas consular posts to thoroughly investigate and scrutinize visa applications, is our first line of defense against those who wish to gain entry to our country for the wrong reasons. Yet this Administration continues to shortchange the program, failing to ask for necessary resources to place units in needed areas as quickly as possible and allowing ambassadors to veto the expansion of Visa Security Units (VSUs).

The State Department has 220 consular posts abroad, yet there are currently only 14 VSUs. While the Department is in the process of establishing two additional VSUs, there are still nearly 40 high-risk posts without VSUs. At the current rate, it will take nearly two decades to establish VSUs at all the high-risk posts. This is simply unacceptable. We must invest the necessary resources to ensure that those entering our country are not coming to do us harm. The Visa Security Program is vital to our security and is worthy of funding, even in difficult budgetary times, so VSUs can be placed in additional high-risk locations as expeditiously as possible.

Port Security

Republican Members support Secretary Napolitano's commitment to risk based security inspections for maritime containers. The FY 2011 budget proposes a $16 million decrease for the Secure Freight Initiative (SFI), the program to conduct 100 percent inspection of U.S.-bound maritime cargo at foreign ports. Customs and Border Protection (CBP) proposes to transition three of the five SFI ports to Container Security Initiative (CSI) ports, where advanced targeting is used to select high-risk containers for scanning prior to loading. The two ports that will remain with the SFI program are located in Pakistan and Oman. The FY 2011 budget includes approximately $3.3 million to continue the SFI program in these ports. During the House Committee on Homeland Security FY 2011 budget hearing on February 25, 2010, Secretary of Homeland Security Janet Napolitano testified that the Department is addressing port security

"from a risk-based and a technology-based approach to get to where we need to be." The Secretary confirmed that the Congressional mandate imposed by the Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53) – which Republican Members have consistently opposed – could not be achieved by the deadline of July 2012.

Republican Members welcome the opportunity to work with the Secretary to make necessary statutory changes to ensure that our port security system is risk-based and robust. Since the Committee on Homeland Security was created in 2003, Republican Members have consistently advocated for a risk-based approach to homeland security, including in the port security environment. During the debate on the SAFE Port Act of 2006 (P.L. 109-347), Republican Members voted against language mandating 100 percent scanning of all U.S.-bound containers. Instead, Republican Members have supported collecting additional advanced information to improve high-risk targeting, deploying radiation portal monitors, and working with foreign partners and the trade community to improve security throughout the supply chain.

Failure to Consolidate Congressional Jurisdiction

Republican Members remain concerned about the failure of the House Democratic Leadership to consolidate homeland security jurisdiction, as 108 committees and subcommittees exercise oversight over the Department of Homeland Security. This was a key recommendation of the 9/11 Commission and has not yet been fully implemented. The lack of consolidated oversight results in conflicting guidance which distracts the Department from fulfilling its critical mission of protecting the Nation and hampers the principal authorizing committees from doing effective oversight.

In the days following the terrorist attack on Northwest Airlines flight 253, 9/11 Commission Vice Chairman Hamilton reiterated the immediate need for Congress to consolidate its homeland security oversight functions currently exercised by 108 committees and subcommittees. In January 2010, the bipartisan Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism (WMD Commission) gave Congress an "F" on its Prevention of WMD Proliferation and Terrorism Report Card for failing to reform Congressional oversight. The report card notes that "[v]irtually no progress has been made since consolidation was first recommended by the 9/11 Commission in 2004." Republican Members of the Committee wrote to Speaker Pelosi in November 2008 and February 2010 expressing willingness to work together in a bipartisan manner to accomplish this goal as expeditiously as possible.

As the House Committee on the Budget moves forward to develop the Fiscal Year 2011 budget resolution, Republican Members respectfully request that our additional views receive full consideration.

PETER T. KING
Ranking Member

LAMAR SMITH
Member of Congress

MARK E. SOUDER
Member of Congress

DANIEL E. LUNGREN
Member of Congress

MIKE ROGERS
Member of Congress

MICHAEL T. MCCAUL
Member of Congress

CHARLES W. DENT
Member of Congress

GUS M. BILIRAKIS
Member of Congress

PAUL C. BROUN
Member of Congress

CANDICE S. MILLER
Member of Congress

PETE OLSON
Member of Congress

ANH "JOSEPH" CAO
Member of Congress

STEVE AUSTRIA
Member of Congress

Additional and Dissenting Views on the Proposed Department of Homeland Security Fiscal Year 2011 Budget

Customs and Border Protection (CBP) – General

We have serious concerns regarding the fiscal year 2011 budget request for Customs and Border Protection (CBP) of $11.18 billion, which represents a two percent decrease over fiscal year 2010 enacted funding of $11.45 billion. The proposed funding decrease will impact nearly all of CBP's important missions ranging from gaining operational control of the border, inspections at ports of entry, and pushing the borders out by screening high-risk goods and people prior to their departure to the United States.

CBP Staffing

The CBP workforce is currently composed of approximately 58,500 employees. The operational components within CBP are the CBP Officers who screen people and cargo at ports of entry, the Border Patrol, and the Office of Air and Marine Interdiction. The chart represented in Table 1 represents CBP staffing levels for the past five fiscal years as well as the request for FY 2011. It is important to note that the perceived staffing increase of 315 CBP Officers in the FY 2011 request does not represent new staff, but rather a need for CBP to seek appropriations to cover existing staff previously funded through fee revenue.[1]

Table 1. CBP Staffing Chart[2]

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011 Request
CBP Officers	17,859	18,389	19,726	21,294	20,943	21,258
Agriculture Specialists	2,008	2,159	2,277	2,394	2,394	2,394
Border Patrol Agents	12,349	14,923	17,499	20,019	20,163	19,982
Air Interdiction Agents	592	687	751	828	891	839
Marine Interdiction Agents	77	68	171	339	357	339
Total Core Positions	**32,885**	**36,226**	**40,424**	**44,874**	**44,748**	**44,812**
Other	9,839	10,517	11,129	12,645	13,784	14,350
Total Positions	**42,724**	**46,743**	**51,553**	**57,519**	**58,532**	**59,162**

1 According to CBP, revenue from user fees has declined over 8% CBP previously used this revenue to fund 1/3 of its CBP Officer workforce and the decline in funds requires that they seek appropriations to fund staff to maintain their workforce

2 Chart provided by CBP Budget Office during Committee staff briefing on February 3, 2010

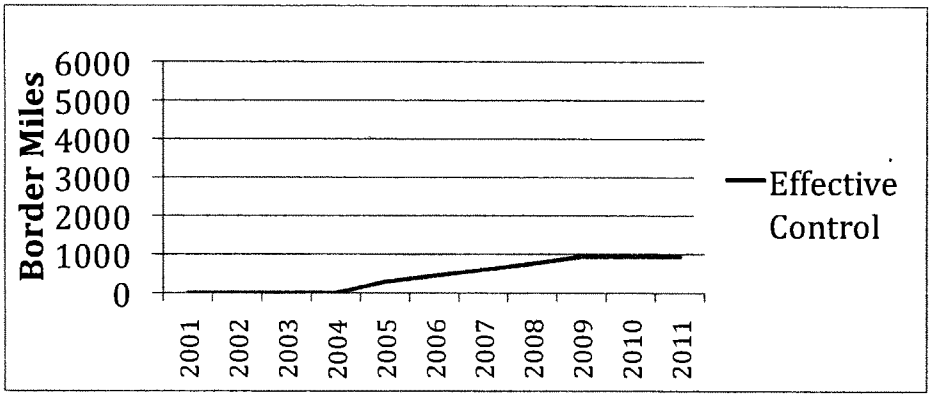
While we support salary increases for the majority of CBP front line employees in the form of a proposal to increase the journeyman level from a GS-11 to a GS-12, as well as the proposal to hire an additional 103 CBP Intelligence Analysts, they remain concerned about several proposals to reduce CBP staffing. The FY 2011 budget proposes to reduce Border Patrol staffing by 181 positions. Since the release of the budget on February 1, 2010, the Department has indicated that they no longer support the reduction in Border Patrol agents. However, we are alarmed that the Obama Administration included a reduction in Border Patrol Agents in the original budget proposal. We are further concerned about the proposal to eliminate 120 pilots and boat operators from the Office of Air and Marine Interdiction (OAM). The FY 2010 budget included a request of $19 million to hire an additional 144 staff comprised of pilots, maritime staff, and support staff. CBP now plans to only hire and sustain 24 of those positions and eliminate the remaining 120 positions. The pilots and boat operators within OAM provide a critical force multiplier for not only CBP but Immigration and Customs Enforcement, the Coast Guard, and other Federal and State agencies.

Achieving Operational Control of the Border

The FY 2011 budget proposes to make no significant progress in securing the border. In addition to the proposed staffing cuts discussed above, the Border Security Account for fencing and infrastructure is slated to receive the biggest cut in the CBP budget. The FY 2011 budget proposes to cut $225.8 million from the funding provided for the current fiscal year for fencing and technology along the border. DHS officials have defended this cut by arguing that testing and deployment for the SBI*net* virtual fence are behind schedule and that they are considering scaling back the SBI*net* program. The budget cut will result in SBI*net* deployment only through Arizona, referred to as Block 1, by the end of FY 2011 and no future releases are provided for in the budget request. While we are supportive of testing and evaluation of the SBI*net* program, we are extremely concerned that the Department has no plans in place to deploy sufficient technology or infrastructure along the border in order to gain control of additional miles.

The Border Patrol congressional budget justification states that at the end of FY 2009, the agency achieved "effective control" of 939 miles of border. In FY 2010 and FY 2011, the Border Patrol intends to maintain control of these miles but not to add any additional mileage under control. During the Committee on Homeland Security budget hearing with Secretary Napolitano on February 25, 2010, Congressman Mark Souder highlighted that the Department has no plans or strategy in place to gain control of the border and presented the graph below. The lack of progress and commitment to securing the border is evident in the FY 2011 budget proposal and we strongly disagree with the funding levels requested, as well as the lack of a strategic vision.

Effective Control of the Border Flatlined



According to CBP budget officials, the FY 2011 request represents "level-setting"[3] of the CBP budget. DHS officials have sought to justify cuts to the CBP budget by pointing to the significant growth in the agency since the Department was created and by arguing that the agency is now in a "post-growth" environment that requires balance and sustainment.[4] There are approximately 6,000 miles of land border in the along the northern and southern borders of the United States and less than 1,000 miles are considered under control. Clearly, it is not the right time for "level-setting" or "sustainment." What is needed is a clear vision for deploying people, infrastructure and technology to the border in order to gain control and close a key vulnerability in our nation's homeland security.

Securing Ports of Entry

We believe that the FY 2011 budget fails to fund and expand key programs used to identify possible terrorists seeking to travel to the United States. Despite, the admission by the Intelligence Community that another terrorist attack against the United States is likely in the 3-6 months, based on information provided by the Christmas bomber and other intelligence, the FY 2011 budget fails to support programs essential for detecting potential terrorists in advance.

CBP proposes to eliminate funding for the Advanced Passenger Inspection/Passenger Name Record (API/PNR) system. API/PNR is an automatic targeting system that scans passenger data prior to flights departing for the U.S. CBP's own budget justification explains that there will be an operational impact from

3 CBP briefing slides, February 2, 2010

4 CBP budget briefing with Committee staff, February 3, 2010

eliminating the funding but argues that there are more important CBP priorities. The FY 2010 enacted level for this program was $3 million. There is no mention of whether the Secure Flight program will be operational and fulfill the operational needs covered by API/PNR or what impact this reduction will have on CBP's ability to conduct robust advanced targeting of airline passengers coming to the United States.

CBP has no funds or plans to expand the Immigration Advisory Program (IAP), which places CBP officers in select foreign airports to help pre-screen travelers to the U.S. The budget request includes no specific funding for the Immigration Advisory Program (IAP) and provides no plans to expand the program. Through this Congressionally-mandated program, CBP stations employees in strategic foreign airports to assist with advanced screening of travelers to the U.S. IAP Officers provide guidance to the airlines on fraudulent documents and admissibility. There are currently IAP Officers in nine foreign airports, as well as CBP Officers stationed in the Mexico City airport in a similar program called the Joint Security Program. In the nine IAP airports, Officers provided "No Board Recommendations" in over 2,700 cases during FY 2009.

Immigration and Customs Enforcement

The total FY 2011 budget request for Immigration and Customs Enforcement (ICE) is $5.83 billion, which represents a 2% increase over last year's enacted funding of $5.74 billion. This budget request supports 20,550 positions and 31,200 detention beds.

The Fiscal Year 2011 budget request would provide approximately 237 new positions for Domestic Investigations. However, we are disappointed that the majority of those positions are intended to be support staff and only 52 are slated to be Special Agents. ICE Office of Investigations (OI) needs additional Special Agents in order to cover the variety of missions ranging from immigration enforcement to border smuggling to export controls.

The Fiscal Year 2011 budget request includes no additional funding to support expansion of the Visa Security Program (VSP). This Congressionally-mandated program places ICE personnel in Department of State consular posts in high risk countries to provide an additional level of screening for visa applications. Currently, there are 14 VSP offices in 12 countries. We are concerned about the lack of additional funding for this program especially in light of the important roles this program could plan in preventing attacks such as the one carried out by the Christmas Bomber on Flight 253.

The budget request provides no funding for additional bed space. ICE currently has approximately 31,000 beds available per day. ICE projects that 80% of its detainee population will come from criminal aliens. The other 20% will be referrals from Customs and Border Protection apprehensions. We are concerned that the lack of available bed space for aliens apprehended at the border threatens to return to a "catch and release" system where there are few penalties for illegal entry into the United States and aliens are released into U.S. communities until the commit a violent crime.

According to ICE officials, as of August 24, 2009, there were 540,505 fugitive aliens at-large. The Fiscal Year 2011 budget requests no additional funds or staff to increase capabilities to apprehend and remove these aliens who have already received final orders of deportation from an immigration judge. In Fiscal Year 2009, ICE Fugitive Operations Teams (FOTs) apprehended just over 17,000 fugitive aliens utilizing 104 FOTs. Republican members are concerned that neither the Fiscal Year 2010 nor the Fiscal Year 2011 budgets provided for an increase in the number of FOTs.

US-VISIT

The total Fiscal Year 2011 request for the US-VISIT program is $334 million, which represents a 10% decrease over the Fiscal Year 2010 enacted funding level of $373 million. The mission of US-VISIT, as mandated by Congress, is to provide biometric identification through the collection, maintenance, and sharing of biometric and selected biographic data to authorized DHS, Federal, state, local, and law enforcement agencies in support of the DHS mission.

The budget request proposes to cut $39 million from US-VISIT, including $22 million allocated for the Comprehensive Biometric Exit Program. DHS has not determined how to move forward with this critical national security and immigration enforcement program. We are concerned about the lack of progress in deploying a biometric air exit solution and its impact on the ability of the Department to further expand the Visa Waiver Program (VWP). Section 711 of the *Implementing Recommendations of the 9/11 Commission Act of 2007* (P.L. 110-53) authorized the Secretary of Homeland Security to waive requirements of the VWP for the purpose of allowing additional countries to join, but required that an air exit system be implanted by the summer of 2009 or the Secretary's waiver authority would expire until such time as the exist system became operational. Given that the air exit requirement has yet to be met, the Secretary is prohibited from waiving additional countries into VWP unless they meet strict statutory requirements.

Peter T. King
Ranking Member
Committee on Homeland Security

Mark E. Souder
Ranking Member
Subcommittee on Border, Maritime, and Global Counterterrorism

Additional Republican Views
Mike Rogers (AL)

The Administration has requested $71 million for FY 2011 to place 275 explosives detection canine teams in airports for passenger screening. While an important start, this request is fundamentally insufficient to provide passenger security at nearly 430 airports nationwide.

We cannot wait another decade to provide comprehensive canine passenger screening coverage at every American airport. Vapor wake technology is a cutting-edge technique by which explosives canines are trained to sniff the air flow from a moving subject or item, and is already in use by several Federal agencies. This technology could be utilized at airports to screen passengers for explosives. The Transportation Security Administration (TSA) currently utilizes only one facility for breeding and training of detection canines. Because of the immediate need to increase breeding and training, TSA should look at other facilities to partner with, including university-based and private sector programs. An additional $30 million will allow establishment of an infrastructure capacity for producing significantly more vapor wake or other passenger-screening dogs by developing a second location that could provide 300 dogs per year, thereby doubling the output of the program as envisioned by the Administration.

Within five to six years, we must be able to produce (or purchase) up to 600 dogs per year such that every one of our nation's airports has canine screening coverage for its airline passengers. This would not require an additional request of funds. Instead, dollars could easily be shifted from the $360 million budget request for advanced imaging technology (AIT) or from the $235 million increase for personnel to man those machines. Many of the AIT machines will be positioned for primary screening, for which TSA could simply use existing Transportation Security Officers and re-train them to operate the new AIT technology.

Canines are an efficient and cost effective means of securing the aviation sector. They do not impede the flow of traffic at all unless they key in on an explosive scent, and they avoid privacy concerns because they do not come into contact with passengers, but rather sniff the air in their vicinity.

A healthy blend of technologies is critical for our safety, and a robust canine program must be part of that. I therefore support the movement of funds within the overall budget request to support the development of canines in a substantial way and prevent explosives-wielding terrorists from boarding our airliners.

Sincerely,

Mike Rogers (AL-03)
Member of Congress

CHARLES W. DENT
15TH DISTRICT, PENNSYLVANIA

1009 LONGWORTH HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
(202) 225-6411
FAX (202) 226-0778

DISTRICT OFFICES
701 WEST BROAD STREET, SUITE 200
BETHLEHEM, PA 18018
(610) 861-9734
FAX (610) 861-9308

208 MAIN STREET
EAST GREENVILLE, PA 18041
(215) 541-4106
FAX (215) 541-4109

Congress of the United States
House of Representatives
Washington, DC 20515–3815

COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEES
TRANSPORTATION SECURITY AND INFRASTRUCTURE PROTECTION
RANKING MEMBER
INTELLIGENCE, INFORMATION SHARING AND TERRORISM RISK ASSESSMENT

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
SUBCOMMITTEES
AVIATION
HIGHWAYS AND TRANSIT
RAILROADS, PIPELINES AND HAZARDOUS MATERIALS

COMMITTEE ON STANDARDS OF OFFICIAL CONDUCT

ADDITIONAL VIEWS OF REPRESENTATIVE CHARLES W. DENT (R-PA) ON THE PROPOSED FISCAL YEAR 2011 BUDGET FOR THE DEPARTMENT OF HOMELAND SECURITY

MARCH 4, 2010

I have signed and generally concur with the Additional and Dissenting Views offered by the Republican Members of the Committee on Homeland Security. However, I am submitting additional views to clarify the record with respect to an exchange I had with the Honorable Janet Napolitano, Secretary of the Department of Homeland Security, during our budget hearing on Thursday, February 25, 2010.

During that hearing, I asked Secretary Napolitano if the Department of Homeland Security was going to meet the legislative mandate to screen all air cargo on passenger aircraft flying into and out of the United States by August 3, 2010, as required in section 1602 of the Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53). The Secretary insisted that the Department would meet the mandate by December 31, 2010. When asked if this would include foreign inbound air cargo, she insisted it did.

On Tuesday, March 2, the Department of Homeland Security informed the Committee via email that the Secretary "misspoke" and that "TSA will not be able to meet the inbound standard by the end of the year." This is not surprising. The Fiscal Year 2011 budget request includes $117.6 million for air cargo screening, $5.2 million less than the Fiscal Year 2010 enacted level of $122 million, and $40 million less than the Fiscal Year 2009 enacted levels.

The law clearly requires the Department of Homeland Security to require 100% of all passenger aircraft to have its cargo screened to a level commensurate with passenger baggage. I am concerned the Department of Homeland Security is not taking the ramifications of meeting this requirement seriously, particularly for foreign inbound aircraft. I believe The Department will ignore the mandate and, on August 3, 2010, they will not enforce their statutory mandate.

CHARLES W. DENT
Ranking Member
Subcommittee on Transportation Security
and Infrastructure Protection

PRINTED ON RECYCLED PAPER

JOHN CONYERS, JR., Michigan
CHAIRMAN

HOWARD L. BERMAN, California
RICK BOUCHER, Virginia
JERROLD NADLER, New York
ROBERT C. "BOBBY" SCOTT, Virginia
MELVIN L. WATT, North Carolina
ZOE LOFGREN, California
SHEILA JACKSON LEE, Texas
MAXINE WATERS, California
WILLIAM D. DELAHUNT, Massachusetts
ROBERT WEXLER, Florida
STEVE COHEN, Tennessee
HENRY C. "HANK" JOHNSON, JR., Georgia
PEDRO PIERLUISI, Puerto Rico
MIKE QUIGLEY, Illinois
LUIS V. GUTIERREZ, Illinois
BRAD SHERMAN, California
TAMMY BALDWIN, Wisconsin
CHARLES A. GONZALEZ, Texas
ANTHONY D. WEINER, New York
ADAM B. SCHIFF, California
DANIEL B. MAFFEI, New York
LINDA T. SANCHEZ, California
DEBBIE WASSERMAN SCHULTZ, Florida

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON THE JUDICIARY

2138 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6216

(202) 225–3951
http://www.house.gov/judiciary

LAMAR S. SMITH, Texas
RANKING MINORITY MEMBER

F. JAMES SENSENBRENNER, JR., Wisconsin
HOWARD COBLE, North Carolina
ELTON GALLEGLY, California
BOB GOODLATTE, Virginia
DANIEL E. LUNGREN, California
DARRELL E. ISSA, California
J. RANDY FORBES, Virginia
STEVE KING, Iowa
TRENT FRANKS, Arizona
LOUIE GOHMERT, Texas
JIM JORDAN, Ohio
TED POE, Texas
JASON CHAFFETZ, Utah
THOMAS ROONEY, Florida
GREGG HARPER, Mississippi

March 4, 2010

The Honorable John Spratt
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515-6065

The Honorable Paul Ryan
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, DC 20515-6065

Dear Chairman Spratt and Ranking Member Ryan:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 (2 U.S.C. § 632(d)) and House Rule X, clause 4(f)(1), we are submitting the views and estimates of the Committee on the Judiciary on the President's budget proposal for Fiscal Year 2011. These views and estimates encompass a broad range of programs within the Judiciary Committee's jurisdiction. We hope that they provide valuable guidance to your Committee as you prepare the budget resolution. We note that, while this document reflects the bipartisan views of the Members of the Committee, some Members may have individual views that are not reflected in this document. Please feel free to contact us or our staffs should you have any questions or concerns.

Sincerely,

John Conyers, Jr.
Chairman

Lamar Smith
Ranking Member

Enclosure

COMMITTEE ON THE JUDICIARY
VIEWS AND ESTIMATES FOR FISCAL YEAR 2011

This presents the views and estimates of the Committee on the Judiciary regarding the President's fiscal year 2011 budget request on matters within the Committee's Rule X jurisdiction.

MANDATORY SPENDING

FEDERAL JUDICIARY

The Committee understands that the Federal Judiciary has no control over the number of cases that are filed in the courts and that the Judiciary must handle each case filed. The Committee also understands that the Judiciary has little or no flexibility over how quickly it must handle many of these cases. The Committee is also aware that case filings have increased across almost all areas in 2009 and are projected to increase again in 2010, in part due to more resources provided to the Departments of Justice and Homeland Security to prosecute cases. In addition, bankruptcy filings increased 25% in 2008, 35% in 2009, and are projected to increase another 20% in 2010. Together, these circumstances have put substantial strain on the Federal Judiciary.

The Federal Judiciary has requested, and the Committee supports, an appropriation of $7.329 billion for FY 2011, a 6.8% increase over the FY 2010 enacted level. It is critical that the Judiciary receive its full funding request in FY 2011 to provide certainty that resources will be available to support the staff the courts plan to hire in FY 2010 and will need to hire to address increased workload in FY 2011. The Committee notes that the overwhelming majority of the appropriations increase, 82.2%, is an adjustment for inflation that will simply maintain the current level of services. The Committee further notes that the balance of the increase will go to necessary and vital expenses, such as improving court security and telecommunications enhancements that will improve productivity. Part of this balance will also support the hourly rate paid to private Criminal Justice Act defense attorneys in non-capital cases. Despite the budgetary constraints facing Congress again this year, the Committee views this increase as necessary to ensure qualified counsel can be secured to represent indigent defendants in federal criminal cases.

The Committee is also concerned about attracting and retaining quality judges in the Federal Judiciary. Therefore, the Committee hopes to move forward with its ongoing efforts to provide fair and adequate salaries for Federal judges balanced by reform to the judicial pension system.

In 2004 the Judiciary embarked on an extensive cost-containment program in order to reduce the rate of growth of costs in the future. This effort has resulted in significant savings and

cost avoidance across a range of Judiciary activities. For example, through a variety of initiatives to reduce rent costs, the GSA rent bill for 2010 is estimated to be $200 million less than what was projected in 2005, due in large part to cost containment. Several measures in the personnel area are estimated to produce savings of up to $300 million from FY 2009 through FY 2017. Through the consolidation of computer servers, the Judiciary will save and avoid costs of $63 million through FY 2012. The Committee commends the Judiciary for its efforts and urges the Judiciary to continue to pursue these and other cost-containment strategies.

PRIVATE CLAIMS LEGISLATION

The Committee anticipates it will consider private bills for claims against the United States. The Committee believes that $5 million was sufficient in the past several years and believes that this figure, based on an analysis of private claims bills passed by recent Congresses, continues to be sufficient to meet the unanticipated costs associated with private claims legislation.

DISCRETIONARY SPENDING

ADMINISTRATIVE CONFERENCE OF THE UNITED STATES

The Administrative Conference of the United States (ACUS) is a nonpartisan body that makes many cost-saving recommendations intended to improve the efficiency and efficacy of regulatory law and practice. During the 110th Congress, ACUS was authorized to be appropriated $3.2 million for FY 2011 pursuant to the Regulatory Improvement Act of 2007, Pub. L. 110-290. The Committee on the Judiciary recommends that $3.2 million be authorized for ACUS in FY 2011 in accordance with Pub. L. 110-290.

ANTITRUST DIVISION (DOJ)

The President requests $167.028 million in budget authority for the Antitrust Division for FY 2011, a $3.858 million increase from the FY 2010 enacted level of $163.170 million. Mandatory pre-merger filing fees paid by companies planning to merge are typically used to offset the majority of the Antitrust Division's funding. Based upon estimates from the Congressional Budget Office and the Federal Trade Commission, the Antitrust Division projects an increase in pre-merger filing fees from $102 million in FY 2010 to $110 million in FY 2011. As a result of this projected increase in fee collection, the Antitrust Division's budget request anticipates a decrease in direct appropriations from $61.170 million in FY 2010 to $57.028 in FY 2011.

The Committee supports the important work of the Antitrust Division and supports the increase. In light of the importance of the Division's various activities, the Committee encourages the Department to use the increased funding to pursue priorities important to Congress and the American people, such as merger enforcement to preserve competitive market

structure and civil non-merger enforcement to deter and remedy illegal anticompetitive business conduct, as well as criminal prosecution of cartel activity.

EXECUTIVE OFFICE FOR U.S. ATTORNEYS (DOJ)

There are 94 United States Attorneys' Offices located throughout the United States, the District of Columbia, Guam, the Northern Mariana Islands, Puerto Rico and the Virgin Islands. The U.S. Attorneys who lead each office are the chief law enforcement representatives of the Attorney General. Each enforces Federal criminal law, handles most of the civil litigation in which the United States is involved, and initiates proceedings for the collection of fines, penalties, and forfeitures owed to the United States. The Executive Office, located in Washington, D.C., at the Department of Justice, is entrusted with the task of coordinating the efforts of these U.S. Attorneys with the policies and priorities of the Attorney General and supervising their activities.

The FY 2011 Presidential Budget Request proposes $2.041 billion for necessary expenses which is approximately $107 million over the FY 2010 appropriation of $1.934 billion. The request includes an increase of 102 positions over the FY 2010 enacted budget. The request also includes $17.244 million targeted at enhancing efforts against financial and mortgage fraud.

The Committee recommends that the Executive Office of U.S. Attorneys continues to evaluate its programs and operations to increase efficiency and realize cost savings.

The Committee fully appreciates the role of the U.S. Attorneys as the chief law enforcement representatives of the Department of Justice and is committed to ensuring they are given the necessary resources to fulfill their responsibilities.

HEALTH CARE FRAUD (DOJ)

The Health Insurance Portability and Accountability Act (HIPAA) directed that the Department of Justice and the Department of Health and Human Services (HHS) establish a joint Health Care Fraud and Abuse Control (HCFAC) program. The Administration's FY 2011 Budget proposes an increase in discretionary funding for the HCFAC Program to $561 million from $311 million requested and appropriated for FY 2010. This provides enhanced funding for criminal enforcement related to fraud against both private and public health programs, including the newly-established joint HHS-DOJ Health Care Fraud Prevention and Enforcement Action Team (HEAT) task force. In FY 2010 $29.791 million was appropriated for the Department of Justice, and the same amount for the HHS Office of Inspector General. The FY 2011 request is $90 million for DOJ and $94.8 million for HHS OIG.

GENERAL LEGAL ACTIVITIES (DOJ)

Office of Solicitor General

The Office of Solicitor General supervises and processes all appellate matters and represents the United States and federal agencies in the Supreme Court. The FY 2011 Presidential Budget Request proposes $11.018 million for the Office of Solicitor General, which is $209,000 over the FY 2010 enacted budget. The Committee considers the work of the Solicitor General an important element of the role played by the Department of Justice and is supportive of ensuring that the Solicitor General's office has sufficient resources to properly fulfill its mission within the Department.

Civil Division

The Civil Division represents the United States, its departments and agencies, Members of Congress, Cabinet officers, and other Federal employees in litigation in State and Federal courts. Its litigation reflects the diversity of government activities, involving, for example: the defense of challenges to Presidential actions; national security issues; benefit programs; energy policies; commercial issues such as contract disputes, banking insurance, patents, fraud and debt collection; all manner of accident and liability claims; spent nuclear fuel litigation; certain immigration matters; as well as criminal violations of consumer protection laws. Each year, Division attorneys handle thousands of cases that collectively involve billions of dollars in claims and recoveries. The Division litigates significant policy issues, which often rise to constitutional dimensions, in defending and enforcing various Federal programs and actions.

For FY 2011, the Administration requests $334.944 million for the Civil Division, an increase of $47.186 million over the FY 2010 appropriated funding. The increased funding includes proposed program enhancements in spent nuclear fuel litigation, legal support services in response to the financial crisis including an expected increase in civil fraud workload stemming from the passage of the Fraud Enforcement and Recovery Act of 2009, and improved technical efficiencies and personnel expertise in electronic discovery (e-discovery). The Committee considers the work of the Civil Division crucial to the mission of the Department of Justice. The Committee will carefully consider programmatic funding, as well as the general activities of the Division, to ensure that the Division is fully able to perform its mission within the Department.

Environment and Natural Resources Division

The Environment and Natural Resources Division (ENRD) of the Department of Justice enforces the Nation's civil and criminal environmental laws, defends environmental challenges to federal laws and actions, and performs a variety of other important legal activities related to the environment and our nation's natural resources. Its litigating activities include, for example, litigation concerning the Clean Air Act; the Clean Water Act; the Comprehensive Environmental

Response, Compensation and Liability Act (Superfund); defense against environmental challenges to Federal programs and activities; the protection, use, and development of national natural resources and public lands; the Endangered Species Act; Indian rights and claims; and the acquisition of private property for Federal use.

The President's budget for FY 2011 requests $119.31 million for ENRD, an increase of $9.525 million over the FY 2010 enacted amount. The requested increase in funding includes additional attorneys and litigation support for Indian Tribal Trust litigation, activities related to enforcement of the nation's civil and criminal environmental laws, and additional support staff expertise in civil e-discovery. The Committee is supportive of ensuring that ENRD has sufficient resources to properly fulfill its mission within the Department.

Civil Rights Division

The Civil Rights Division of the Department of Justice (CRT) is the primary institution within the Federal government responsible for enforcing Federal statutes prohibiting discrimination on the basis of race, sex, disability, religion, and national origin. The Division enforces Federal laws prohibiting discrimination in education, employment, credit, housing, public accommodations, voting, and certain federally funded and conducted programs. The Division has eleven sections: Appellate, Coordination and Review, Criminal, Disability Rights, Educational Opportunities, Employment Litigation, Housing and Civil Enforcement, Office of Special Counsel for Immigration Related Unfair Employment Practices, Special Litigation, Voting, and Administrative Management.

The Administration has requested $161.885 million for the Civil Rights Division in FY 2011, an increase of $16.436 million over FY 2010 funding levels. The requested increase reflects additional personnel to combat discrimination in lending and foreclosures, litigate employment pattern or practice cases, enforce voting rights, and prosecute hate crimes. The Committee strongly supports the work of the Civil Rights Division and supports funding at a level that ensures it is able to carry out its critical mission of guaranteeing equality under the law.

Criminal Division

The Criminal Division of the Department of Justice is responsible for supervising the application of all federal criminal laws except those specifically assigned to other divisions. Its mission is to identify and respond to critical and emerging national and international criminal threats, and to lead the enforcement, regulatory, and intelligence communities in a coordinated, nationwide response to reduce those threats. The Division provides expert guidance and advice to U.S. Attorneys and other federal, state, and local prosecutors and investigative agencies, as well as foreign criminal justice systems. It also oversees the use of the most sophisticated investigative tools available to federal law enforcement, including all federal electronic surveillance requests in criminal cases, and secures the return of fugitives and other assistance from foreign countries.

For FY 2011, the President's budget requests $187.625 million for the Criminal Division. This amount includes a programmatic increase of $2.255 million and a commendable offset of $210,000 due to improved efficiencies related to travel expenses. The additional funding requested by the Administration will provide for the Division's participation in the Mobile Investigative Team's work to combat illicit money networks in the global market place; support national cyber security efforts and expand digital forensics capabilities; investigate and prosecute drug cartels and firearms traffickers at the Nation's southwest border; and expand the Division's work to protect children from prostitution, sex tourism and online abuse. The Committee strongly supports the work of the Department's Criminal Division and recommends funding at the requested levels for FY 2011.

Tax Division

The Tax Division of the Department of Justice represents the United States in virtually all litigation arising under the internal revenue laws. This work includes both a civil component as well as assistance to U.S. Attorneys in prosecuting criminal tax violations. In addition, the Division's attorneys lend their financial crimes expertise to the enforcement of other laws with financial aspects.

The President's budget requests $115.972 million for the Tax Division for FY 2011, an increase of $10.095 million over FY 2010 enacted funding. The program increase included in the budget is for an additional $2.965 million to support the investigation and prosecution of cases under the Fraud Enforcement and Recovery Act of 2009.[1] The Committee supports the work of the Tax Division and its direction of increased resources to the prosecution of fraud cases stemming from the current financial crisis, and recommends funding at the requested levels for FY 2011.

U.S. National Central Bureau (INTERPOL Washington)

The U.S. National Central Bureau (INTERPOL Washington) facilitates cooperation and information sharing among police agencies in different countries. It is the link between more than 18,000 federal, state, and local law enforcement authorities and the 187 other member countries for INTERPOL-related matters. The main goals of INTERPOL Washington are facilitating international law enforcement cooperation; transmitting information of a criminal justice, humanitarian or other law enforcement related nature between law enforcement agencies; responding to law enforcement requests; coordinating and integrate information for investigations of an international nature, and identifying patterns and trends in criminal activities. INTERPOL Washington also actively screens all inbound international flights for passports that are reported as lost or stolen to INTERPOL and generates over 200 hits monthly that require human analysis.

---

[1]P.L. 111-21; Passed the House as H.R. 1748, the Fight Fraud Act of 2009

The President's budget for FY 2011 requests $37.018 million for INTERPOL Washington, reflecting an increase of $6.927 million compared to FY 2010 funding levels. Of the requested amount, $1.155 million would fund the creation of a Exploited and Missing Children Unit within the Terrorism and Violent Crimes Division that will aim to address child exploitation in the areas of missing and abducted children, sex tourism, tracking of convicted sex offenders. Additionally, $4.505 million is requested to fund the INTERPOL Operations and Command Center for an increase in the number of personnel and enhancement of the technology infrastructure of the 24/7 Command Center. The Committee supports INTERPOL Washington's continued efforts to enhance information sharing amongst international police authorities and recommends funding at the requested levels for FY 2011.

OFFICE OF THE INSPECTOR GENERAL (DOJ)

The Office of the Inspector General (OIG) is an independent office within the Justice Department that is charged with conducting investigations, audits, inspections, and special reviews of Justice Department personnel and programs to detect and deter waste, fraud, abuse, and misconduct, and to promote integrity, economy, efficiency, and effectiveness in Department operations. For FY 2011, the President's budget requests $88.792 million for OIG, an increase of $4.406 million over the enacted FY 2010 spending level of $84.386 million. The FY 2011 request includes increased funding for enhanced oversight of national security programs and a cost savings through improved travel and management efficiencies. The Committee supports the work of the OIG and the recommended budgetary increase.

NATIONAL SECURITY DIVISION (DOJ)

The National Security Division was authorized by Congress in the USA PATRIOT Improvement and Reauthorization Act of 2005, Public Law 109-177, which was enacted in 2006. The National Security Division consists of the elements of the Department of Justice (other than the Federal Bureau of Investigation) engaged primarily in support of the intelligence and intelligence-related activities of the United States Government, including: (1) the Assistant Attorney General for National Security, (2) the Office of Intelligence Policy and Review, (3) the counterterrorism section, (4) the counterespionage section, and (5) any other office designated by the Attorney General.

For FY 2010, the National Security Division was funded at the President's requested level of $87.938 million. For FY 2011, the Administration has requested $99.537 million to address the President's highest priority to protect the American people from terrorist acts. Funding supports the detection and disruption of terrorists, counterintelligence, cyber security, and other threats against our national security. The Committee supports the important work of the National Security Division and the program increases for FY 2011, including enhanced resources for Foreign Intelligence Surveillance Act (FISA) and intelligence oversight, and recommends funding at the requested levels.

COMMUNITY RELATIONS SERVICE (DOJ)

The Community Relations Service (CRS) was established under Title X of the Civil Rights Act of 1964. Since 1964, CRS has traditionally been responsible for the Prevention and Conciliation of Community Disputes program, which provides conciliation and mediation assistance to communities with the goal of achieving peaceful and voluntary resolution of racial and ethnic conflict. The President's budget requests $12.606 million in funding for CRS, including $1.098 million in program increases. The Committee recommends that CRS be funded at a level necessary to achieve its important objectives.

FEDERAL BUREAU OF INVESTIGATION (DOJ)

The Federal Bureau of Investigation (FBI) is the nation's largest federal law enforcement agency, charged with investigating terrorism, cybercrimes, public corruption, white collar crime, organized crime, civil rights violations, and other federal offenses.

FY 2010 appropriations for the FBI were $7.848 billion. The Administration's request for FY 2011 is $8.264 billion in budget authority, of which $8.083 billion is requested appropriations. The FBI has identified mortgage fraud as its most significant white collar crime issue. The number of pending investigations of mortgage fraud against financial institutions has risen from 436 at the end of FY2003 to over 2,600 by the end of FY2009.

On May 20, 2009, the Fraud Enforcement and Recovery Act (FERA) was signed into law. The Committee supports full funding for the FERA authorizations for the FBI.

U.S. MARSHALS SERVICE (DOJ)

The Marshals Service (USMS) has varied responsibilities. The USMS administers the Asset Forfeiture Program of the Justice Department; conducts investigations involving escaped federal prisoners and other fugitives; ensures safety at judicial proceedings; assumes custody of individuals arrested by all federal agencies; houses and transports prisoners; and manages the Witness Security Program. $1,152,400,000 was appropriated for FY 2010 and the Administration's request for FY 2011 is $1,207,000,000. The Committee supports funding for the USMS at levels necessary to accomplish its various missions.

Asset Forfeiture Fund

The Asset Forfeiture Fund (AFF) was established pursuant to the Comprehensive Crime Control Act of 1984. The Marshals Service administers the program by managing and disposing of properties seized by and forfeited to federal law enforcement agencies and U.S. attorneys nationwide. AFF is used to receive the proceeds of forfeiture and to pay the costs associated with forfeitures, including the costs of managing and disposing of property, satisfying valid liens, mortgages, and other innocent owner claims, and costs associated with accomplishing the legal forfeiture of the property. The Attorney General is authorized to use AFF to pay such necessary

expenses associated with forfeitures. The Fund may also be used to finance certain general investigative expenses, as enumerated in 28 U.S. C. §524(c).

For FY 2011, the President's budget proposes $20.99 million in discretionary spending for AFF expenses and also proposes language permanently cancelling $495 million of unobligated balances. The Committee supports the President's overall proposal for the Asset Forfeiture Fund FY 2011 budget and will continue to monitor any proposed diversions or transfers of Fund resources, particularly with regard to any proposed use of Fund monies for purposes outside of the jurisdiction of the Committee.

BUREAU OF ALCOHOL, TOBACCO, FIREARMS, AND EXPLOSIVES (DOJ)

The Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATF) received appropriations for FY 2010 in the amount of $1.12 billion. The Administration requests $1.163 billion for FY 2011.

The Committee supports ATF's Project Gunrunner, which is focused on reducing the flow of firearms being trafficked to Mexican Drug Trafficking Organizations. ATF received a $10 million allocation to Project Gunrunner in the 2009 American Recovery and Reinvestment Act and the Committee supports the request for $11.815 million in FY 2011 funding for this program. The Committee also continues to support ATF funding to enhance and expand its capability to prevent and disrupt traffickers of contraband cigarettes and other tobacco products. Resources are needed to establish tobacco enforcement teams and to create a robust tobacco enforcement division. Through contraband tobacco trafficking interdiction efforts, ATF reduces the loss of tax revenues to federal, state and local governments.

DRUG ENFORCEMENT ADMINISTRATION (DOJ)

The Drug Enforcement Administration (DEA) is the lead federal agency tasked with reducing the illicit supply and abuse of narcotics and drugs through drug interdiction and seizing of illicit revenues and assets from drug trafficking organizations. $2,000,000,000 were appropriated for the DEA for FY 2010 and the Administration's FY 2011 budget requests $2.421 billion in budget authority for the agency. The Committee recommends funding at an appropriate level for FY 2011.

FEDERAL BUREAU OF PRISONS (DOJ)

The Federal Bureau of Prisons (BOP) is responsible for confining Federal offenders in prisons and community-based facilities. For FY 2011, $6.803 billion has been proposed for the administration, operation, and maintenance of Federal penal and correctional institutions. The Committee supports increase in funding for BOP staff, specifically that for correctional officers. The Committee also continues to support the Federal Prison Industries program efforts to provide

jobs and job skills to BOP offenders. The Committee recommends funding at an appropriate level for FY 2011, but at least at that the amount proposed by the Department.

OFFICE OF JUSTICE PROGRAMS (DOJ)

Community Oriented Policing Services

Community-Oriented Policing Services (COPS) is an important tool in the effort to fight crime. Implemented in 1994, COPS focuses on local strategies to fight crime and has been praised by Federal, state, and local law enforcement and political officials. The COPS program was created by Title I of the Violent Crime Control and Law Enforcement Act of 1994 (Pub. L. 103-322). The Violence Against Women and Department of Justice Reauthorization Act of 2005 (Pub. L. 109-162) reauthorized the COPS program through FY 2009 for approximately $1.05 billion per year. According to the COPS program office, it has awarded more than $12 billion to over 13,000 law enforcement agencies across the United States since it started awarding grants in 1994. The House passed legislation last year to reauthorize the program, because its authorization has expired, but the Senate has not yet taken up this measure.

Last year, the program received a $1 billion allocation through the American Recovery and Reinvestment Plan. The President's FY 2011 budget proposes funding the program at a level of $730.312 million, including $302 million for the COPS Hiring Program. The Committee supports this renewed commitment to this program.

John R. Justice Loan Forgiveness

The John R. Justice Prosecutor and Defender Incentive Act was passed in 2008. The FY 2010 appropriation for John R. Justice Student Loan Repayment Program was $10 million. The Committee recommends funding at an appropriate level.

Office of Violence Against Women

The Office on Violence Against Women (OVW) provides national leadership in developing the nation's capacity to reduce violence against women through the implementation of the Violence Against Women Act (VAWA). The Violence Against Women Act of 2000 and the Violence Against Women and Department of Justice Reauthorization Act of 2005, Pub. L. 109-162, reauthorized the grant programs created by the original VAWA and subsequent legislation, as well as established new programs.

The FY 2010, OVW received $434 million for VAWA and the FY 2011 budget proposes $460.735 million. The Committee recommends full funding of all the various grants programs under OVW, similar to the $683 million authorized by the VAWA Reauthorization of 2005.

Juvenile Justice

The Juvenile Accountability Block Grant (JABG) has helped states strengthen their juvenile justice systems. The Committee reauthorized the JABG program with an annual allocation of $350 million through FY 2009. In FY 2010 $55 million was appropriated for JABG, but only $40 million was requested by the President for FY 2011. For FY 2011, the Committee believes this program should be funded at the authorized level.

Project ChildSafe is a Federal, state, and local partnership designed to ensure that child safety locks are made available for every handgun in America. Such locks prevent the unauthorized use and inadvertent discharge of firearms. In the past, this program has received support from the Judiciary Committee. The Administration is proposing to eliminate this program. The Committee recommends funding at an appropriate level for FY 2011.

Mentally Ill Offender Act

The Mentally Ill Offender Treatment and Crime Reduction Reauthorization and Improvement Act of 2008, signed into law on October 14, 2008, reauthorizes funding for the Adult and Juvenile Collaborations Program grants. The Act authorizes $50 million for each fiscal year for FY2009 through FY2014; however, $12 million was appropriated for the program in FY 2010. The President's FY 2011 budget proposes funding this program together with the Drug Court program at a level of $57 million, with the budget justification documents specifying that this total amount would include an allocation of $12 million for mental health courts. The Committee wants to ensure that combining the funding for these programs does not lead to a reduction in funding for the Mentally Ill Offender programs and supports funding for the program at the authorized level.

State Criminal Alien Assistance Program

State and local governments have had to bear an immense fiscal burden as a result of incarcerating criminal aliens. Although control of our nation's borders is a federal responsibility, states and localities are only partially reimbursed for these expenditures. The Committee believes that the State Criminal Alien Assistance Program (SCAAP) should be adequately funded to assist state and local jurisdictions.

The Committee notes that in past years, Presidents' budgets have requested no money for SCAAP. The Committee is therefore encouraged that the President's FY 2011 budget requests $330 million, an amount equal to that appropriated in FY 2010. Nevertheless, the Committee recommends that SCAAP, which was reauthorized in the Violence Against Women and Department of Justice Reauthorization Act of 2005, be funded at the full $950 million authorization in FY 2011. The program has been significantly underfunded since its inception under the Violent Crime Control and Law Enforcement Act of 1994.

STATE AND LOCAL LAW ENFORCEMENT

Byrne Justice Assistance Grants

The Byrne Justice Assistance Grants (Byrne JAG) program provides direct grants to states and local communities for a number of purposes, including funding local drug task forces. It is the only source of Federal funding for multi-jurisdictional efforts to prevent, fight, and prosecute drug-related and violent crime.

The Byrne JAG grants have been proven to be effective and critical to public safety. The American Recovery and Reinvestment Plan allocated $2 billion in funding to the Byrne JAG program and is allocated for use over the next four years. The program received an appropriation of $519 million for FY 2010 and the Administration's budget request for FY 2011 is also for $519 million. The Committee supports funding this program at its authorized level.

The Adam Walsh Child Protection and Safety Act was enacted in 2006. Title I of the Act, the Sex Offender Registration and Notification Act (SORNA), established a comprehensive national system for the registration and notification to the public of those offenders. In addition, a number of new grant programs, under Byrne JAG, were also authorized to assist states in improving sex offender registration and related requirements under the Act. States report that a large hurdle to SORNA compliance is the lack of federal funding. The Committee recommends funding the Adam Walsh Act at appropriate levels.

DNA Backlog Elimination

The Committee supports full funding for the Debbie Smith Act, which funds reducing the backlog of DNA evidence in the nation's labs, as well as the Innocence Protection Act (IPA), which funds post-conviction DNA testing. We have been at full or close to full authorization levels for these programs and still have significant backlogs. This technology is crucial and as it is increasingly used, an increasing amount of departments are amassing biological evidence for use in criminal cases. But, using the technology and storing the evidence is costly.

Much biological evidence has been cleared in recent years. As more departments explore the technology and its superiority, however, the backlog has remained level because of the new evidence retained. In FY 2010, $151 million was appropriated under the Debbie Smith Act, which is the authorized level, and a total of $161 million was appropriated for the DNA-Related and Forensics Program, including $5 million for the Sexual Assault Forensic Exams Program and $5 million for the Kirk-Bloodsworth Post-Conviction DNA Testing Program. For FY 2011, the Administration's request for the DNA-Related and Forensics Program, with no specific allocations proposed for the component sub-programs, is $150 million. The Committee is concerned about this reduction and supports full funding for these DNA programs. In addition, the Committee remains concerned about the unfortunate circumstance that some jurisdictions receiving funding in recent years to reduce their DNA backlogs have not spent their funding and

the Committee advocates consideration of mechanisms to recapture and reallocate these unused funds.

Services for Victims of Crime

The Crime Victims Fund (Fund) was created by Congress in 1984 to provide Federal support to state and local programs that assist victims of crime. The Fund is derived entirely from criminal fines and penalties paid by offenders at the Federal level - not taxpayer revenues - and is primarily distributed through state formula grants administered by the Office of Crime Victims. The Administration's budget requests an obligation limit of $800 million for FY 2011, an increase of $95 million over the FY 2010 enacted obligation limit. The Committee supports this increase in the obligations limit and will continue to review the use of Fund monies and unobligated balances to ensure they are used appropriately for victim services. The Committee also notes the increase in funding for victims of child abuse in Indian Country.

U.S. TRUSTEE PROGRAM (DOJ)

The U.S. Trustee Program is charged with supervising the administration of bankruptcy cases and trustees. Its mission is to protect and preserve the integrity of the U.S. bankruptcy system by regulating the conduct of parties, ensuring compliance with applicable laws and procedures, bringing civil actions to address bankruptcy abuse, securing the just and efficient resolution of bankruptcy cases, and referring bankruptcy crimes for prosecution. The Program is self-funded through user fees paid by participants in the bankruptcy system. The Program's appropriation is offset by fees it collects during the fiscal year. These monies are paid into the U.S. Trustee System Fund. Approximately 55% of the Program's funding is subsidized by quarterly fees paid by Chapter 11 debtors. The remaining 45% of its funding is derived from a portion of filing fees paid to commence bankruptcy cases, interest earnings, and other miscellaneous revenues.

The Department of Justice requests $236.435 million for FY 2011 for the U.S. Trustee Program, which represents a 7.8% increase over the FY 2010 enacted appropriation level. The Program was appropriated $219.3 million for FY 2010, which reflected an increase of $1.9 million over the prior fiscal year appropriated level of $217.4 million. There are two program changes for FY 2011. First, the FY 2011 budget request includes an increase of 35 positions, including 12 attorneys, over the FY 2010 enacted funding level of 1,323 authorized positions. The additional personnel are requested to handle increased caseload and case complexities for which there are asserted to be no dedicated resources currently available. Second, the Program requests $2.5 million for life cycle replacement of technological equipment. In FY 2011, the U.S.T.P. anticipates a significant rise in bankruptcy filings and will generate offsetting collections of $281.829 million, $46 million over the FY 2011 budget request.

The Program's FY 2011 budget is intended to be used, in part, to identify and combat creditor abuse and mortgage, corporate, and other sophisticated fraud schemes. The Committee is

supportive of ensuring that the U.S. Trustee Program has sufficient resources to properly support its work and is attentive to the growing volume and complexity of bankruptcy cases.

EXECUTIVE OFFICE FOR IMMIGRATION REVIEW (DOJ)

The Executive Office for Immigration Review (EOIR) contains the corps of Immigration Judges, the Board of Immigration Appeals (BIA), and the Office of Chief Administrative Hearing Officer (OCAHO). EOIR presides over administrative immigration hearings such as removal, bond, and employer sanctions proceedings.

The President's budget requests $316.442 million for EOIR in FY 2011, an increase of $18.487 million over the enacted FY 2010 spending level of $297.955 million. The request includes an increase of 125 positions to add 21 Immigration Judge Teams and 10 BIA attorneys.

The Committee strongly supports the request for additional Immigration Judges and support personnel. The number of Immigration Judges and support personnel has not kept pace with the increase in their workload, leading to a growing backlog of cases pending in Immigration Courts. The number of Notices to Appear (charging document that would place a noncitizen in removal proceedings in Immigration Court) issued by the Department of Homeland Security (DHS) rose from 213,887 in FY 2006 to 291,217 in FY 2008, an increase of 36% in just two years.[2] In contrast, the number of Immigration Judges with regular caseloads actually decreased from 218 in 2006 to 214 in 2008.[3] As a result, the number of pending cases in Immigration Courts grew from 168,866 in 2006 to 186,342 in 2008.[4]

The Committee also supports the full funding of Legal Orientation Programs (LOP) for detained noncitizens. Detained LOP participants go through Immigration Courts 13 days faster on average than detainees who do not participate in LOP, resulting in "important resource-saving benefits for the immigration courts and immigration detention system."[5]

---

[2] American Bar Association Commission on Immigration, Reforming the Immigration System: Proposals to Promote Independence, Fairness, Efficiency, and Professionalism in the Adjudication of Removal Cases (2010), Executive Summary, ES-19, available at http://www.abanet.org/media/nosearch/immigration_reform_executive_summary_012510.pdf.

[3] Transactional Records Access Clearinghouse, Syracuse University, Case Backlogs in Immigration Courts Expand, Resulting Wait Times Grow (2009), available at http://trac.syr.edu/immigration/reports/208/.

[4] *Id.*

[5] Vera Institute of Justice, Legal Orientation Program Evaluation and Performance and Outcome Measurement Report, Phase II (May 2008), available at http://www.justice.gov/eoir/reports/LOPEvaluation-final.pdf.

Timely and fair adjudication of cases in Immigration Courts is an essential part of effective immigration enforcement. Funding for EOIR personnel and programs must keep pace with the increase in other immigration enforcement activities in order for the entire immigration enforcement system to function properly. The Committee recommends that EOIR be funded at a level that will enable it to achieve these goals.

U.S. CUSTOMS AND BORDER PROTECTION (DHS)

The Department of Homeland Security's U.S. Customs and Border Protection (CBP) is the federal agency principally responsible for the security of the Nation's borders, at and between the ports of entry along the border and at our seaports and airports. The Committee supports CBP's various missions, including the work of Inspectors and Border Patrol agents who are an essential component of our immigration-enforcement system and serve as a critical shield against those who would enter the U.S. unlawfully.

The President's budget requests $11.18 billion ($9.817 billion in appropriated funds and $1.362 billion in mandatory fee collections) for FY 2011. The funds will support current levels of Border Patrol agents, a force that has nearly doubled since FY 2004, and will increase the number of CBP Officers in the Office of Field Operations, who perform critical services at our ports of entry.

The Committee notes its continuing concern regarding the high rate of attrition for Border Patrol agents and the increasing ratio between new agents and experienced agents who can appropriately manage the new agents. The Committee commends the President's intention to implement pay increases for CBP officers, Border Patrol agents and Agricultural Specialists by raising the journeyman grade level from GS-11 to GS-12. This change acknowledges the growing job requirements for these positions and will help to build and retain a professional and experienced force. The Committee also supports the use of funds to train border patrol agents on the appropriate and humane treatment of aliens apprehended at the border, as well as on efforts to minimize deaths along the southwest border, and on how to better protect themselves from increasing violence directed against them along the border.

The Committee also supports the use of funding for the addition and improvement of Border Patrol facilities. Although appropriated funds in the American Recovery and Reinvestment Act resulted in improvements to several Border Patrol facilities, the Committee is concerned that CBP intends to use facilities management funds solely to maintain existing structures, rather than to develop new Border Patrol facilities and continue to modernize existing facilities.

U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT (DHS)

U.S. Immigration and Customs Enforcement (ICE) is the largest investigative arm of DHS. Comprised of several components from the former Immigration and Naturalization Service (INS) and, the U.S. Customs Service, the agency combines the investigative, detention and removal, and intelligence functions of the former INS with the investigative and intelligence functions of the former Customs Service.

The President's budget requests $5.835 billion ($5.525 billion in appropriated funds and $311.387 million in mandatory fee collections) for FY 2011. The Committee observes that the President's request represents a $100 million increase over the FY 2010 enacted level of $5.7 billion.

The Secure Communities Program is a comprehensive plan that seeks to identify and remove criminal aliens. In addition, the Criminal Alien Program focuses on identifying incarcerated criminal aliens in federal, state, and local facilities, and secures orders of removal prior to their release. The Committee supports funding for Secure Communities and the Criminal Alien Program, which focus on criminal aliens to improve public safety.

With respect to the detention of aliens, the Committee supports ongoing reforms to ensure that detainees are housed in appropriately designed and managed facilities. The Committee supports funding for the development and deployment of an electronic health records system and for additional procedures to ensure that detainees with medical and mental health needs are housed in adequate facilities and receive medically necessary care. The Committee applauds the President's efforts to manage the overall cost of detention by reviewing existing facility contracts and evaluating the use of facilities that have high detention costs. In deciding whether to discontinue the use of such facilities, however, the President should also consider the impact that such closures will have on detainee access to counsel secured at their own expense. The Committee continues to support "Alternatives to Detention" programs in appropriate circumstances.

U.S. CITIZENSHIP AND IMMIGRATION SERVICES (DHS)

United States Citizenship and Immigration Services (USCIS) administers the immigration service functions described in the Immigration and Nationality Act, such as adjudicating citizenship and immigration benefit applications and petitions.

FY 2010 enacted budget was $2.859 billion, which consisted of $2.635 billion in mandatory fee collections and $224 million in appropriated funds. The FY 2011 budget request is $2.812 billion, consisting of expected mandatory fee collection amount of $2.426 billion and $385.8 million in appropriated funds.

The request for appropriation includes $207 million for the processing of applications for refugee and asylum status, $137 million for immigration verification programs, including $34 million for the Systemic Alien Verification for Entitlements (SAVE) program, and $18 million of immigrant integration and citizenship programs. The cost of these programs are currently supported by individuals and businesses applying for other citizenship and immigration benefits through USCIS.

OFFICE OF REFUGEE RESETTLEMENT (HHS)

The Office of Refugee Resettlement (ORR) within the Department of Health and Human Services (HHS) provides assistance and services to refugees, asylees, unaccompanied alien children, victims of human trafficking, and certain Amerasian, Iraqi, Afghan, Cuban, and Haitian immigrants. ORR assists these populations by providing a range of services, including cash and medical assistance, housing assistance, and economic and social integration services.

The President's budget request of $877.602 million represents an increase of $146 million over the FY 2010 appropriated amount and approximately $136 million over the requested amount for the last fiscal year. The Committee supports this increase in funding.

The Committee anticipates that there will be an increased number of persons eligible in FY 2011 compared to FY 2010 for certain ORR programs. For example, the number of refugee admissions in FY 2010 to date has increased 30% compared to the same period in FY 2009 due to continued efforts by the Administration to improve infrastructure related to refugee resettlement. These improvements have resulted in a more consistent and efficient flow of refugees throughout the fiscal year, unlike prior fiscal years when refugee arrivals tended to spike significantly during the final two quarters. While such spikes are likely to be less pronounced in future fiscal years due to the infrastructure improvements, such improvements will likely result in larger refugee arrivals overall.

The Committee also expects increased numbers of Iraqis and Afghans who qualify for Special Immigrant Visas, and, due to the tragedy in Haiti, an increase in Cuban-Haitian entrants. Further, the Committee expects, given the current economic climate in the country, that the need for programs provided by ORR—particularly those related to employment, integration, self-sufficiency, and basic needs—is likely to increase in FY 2011. The Committee believes that an increased level of funding will be required for ORR to accomplish its important missions with respect to the growing number of eligible persons in FY 2011.

Transitional and Medical Services

The Committee is particularly interested in the funding level for Transitional and Medical Services (TAMS) for refugees and other entrants. The FY 2010 enacted amount for TAMS funding was $353.332 million, whereas the requested amount for FY 2011 is $417 million, an

increase of $64 million. The Committee supports this increase. The Committee was encouraged that the Department of State recently increased the one-time amount available to refugees through its Reception and Placement Program from $900 to $1800, but such funds are only meant to address the challenges faced by refugees for an initial 30 to 90 day period.

The TAMS program is essential to meet the economic and medical needs of recently-arrived refugees, asylees, trafficking victims, and certain other vulnerable entrants. The program also serves the purpose of reducing costs to the federal government by helping refugees become employed and self-sufficient within a few months of arrival to the United States. Under the Voluntary Agency (Matching Grant) and Wilson-Fish programs, individual refugee resettlement agencies and several states divert refugees and other entrants from welfare dependency by providing intensive services that help refugees quickly become self-sufficient. The Matching Grant Program in particular has proved to be an efficient vehicle for assisting refugees in attaining economic self-sufficiency without accessing public cash assistance. The program also maximizes private contributions, whereby resettlement agencies "match" federal grants with private cash and in-kind contributions on a 2:1 basis, providing an enormous amount of local community involvement and non-public funds to the resettlement process. The Committee believes such programs are essential and cost-effective, and notes with approval the President's proposed establishment of a $25 million contingency fund for TAMS. The Committee believes that a further increase in overall TAMS funding would ensure that the needs of the vulnerable populations served by ORR are being adequately met.

Division for Unaccompanied Alien Children

The Committee is also particularly concerned with the funding level for ORR's Division of Unaccompanied Alien Children (DUCS), which exercises responsibilities for the care and placement of unaccompanied alien children while they are awaiting resolution of questions relating to their immigration status. The FY 2011 request of $207.357 million represents a minimal $6 million increase over the total funds available in FY 2010 ($201 million total – $149 million in enacted appropriations plus $52 million remaining from the Supplemental Appropriations Bill in FY 2009). The Committee believes that such additional DUCS funding is necessary to sufficiently and adequately meet the needs of unaccompanied alien children.

ORR provided services to an estimated 6,600 unaccompanied alien children in each FY 2009, and the agency anticipates that it will provide services to approximately 7,800 such children in FY 2010. The Committee believes that this number may further increase in FY 2011. Further, the requirements mandated by the William Wilberforce Trafficking Victims Reauthorization Act of 2008 (Public Law 110-457) (TVPRA), which strengthens protections for unaccompanied alien children at the border and in the nation's interior by establishing policies and programs to identify child victims of trafficking and protect all unaccompanied alien children from traffickers and other persons seeking to harm and exploit them, will likely further increase costs for ORR. An increase in funding is needed to further ensure that the TVPRA's additional requirements are met for quality custodial care and services, increased use of smaller, child-

centered custodial settings more appropriate for children, and to expand ORR's pro bono legal services program.

The Committee supports ORR's efforts to increase shelter capacity within 250 miles of the border, and the President's request includes funding to accomplish this goal. Such increase in capacity is meant to limit travel time for unaccompanied alien children and control transportation costs to the federal government. However, in order to access necessary social and pro bono services, ORR facilities are typically placed near major population centers. The Committee is particularly concerned that such services will be limited in Texas, where the 250-mile limit excludes all major cities except San Antonio. The Committee believes that an exception to the 250-mile limit should be made in Texas to allow ORR to increase shelter capacity in Houston, the nation's fourth-largest city and home to multiple social service and pro bono service providers.

US-VISIT (DHS)

The Committee has long supported sufficient funding to meet the entry-exit requirements mandated by Congress in 1996 in order to identify who is entering and exiting the U.S. and how long they stay in the country. The Committee notes that the agency reported to Congress in FY 2010 the results of two air exit pilot programs. The Committee supports the use of unobligated funds appropriated in previous years to proceed with implementation, but also recommends sufficient funding be provided to prioritize the development of an integrated master schedule for the full implementation of the legal mandate.

FOREIGN CLAIMS SETTLEMENT COMMISSION

The Foreign Claims Settlement Commission of the United States (FCSC) is a quasi-judicial, independent agency within the Department of Justice that adjudicates claims of U.S. nationals against foreign governments, under specific jurisdiction conferred by Congress, pursuant to international claims settlement agreements, or at the request of the Secretary of State. Funds for payment of the Commission's awards are derived from congressional appropriations, international claims settlements, or liquidation of foreign assets in the United States by the Departments of Justice and the Treasury.

There has been little significant change in the operation of the FCSC. The budget request for the FCSC for FY 2010 was $2.12 million and the FY 2010 Consolidated Appropriations Act provides $2.12 million. The budget request for the FCSC for FY 2011 is $2.16 million. The Committee recommends that FCSC continue to be adequately funded in FY 2011.

U.S. SECRET SERVICE (DHS)

The U.S. Secret Service (USSS) is primarily tasked with two law enforcement functions, handling protection and conducting criminal investigations. Criminal investigation activities

encompass financial crimes, identity theft, counterfeiting, and computer fraud. The protection mission covers the President and Vice President, among others. The Secret Service is also responsible for security activities at National Special Security Events (NSSEs), which include the Party Nominating Conventions, as well as international conferences and events held in the United States. In FY 2010, the Secret Service received $1 million for NSSE costs. In addition to an appropriate level of funding to cover the core law enforcement missions of the USSS, the Committee supports additional funding for NSSE costs. The Committee notes the increasingly prominent role the USSS has taken in recent years with respect to the investigation of mortgage fraud. The Fraud Enforcement and Recovery Act of 2009 specifically authorized $20 million for the USSS's investigative efforts in this area for FY 2011 and the Committee supports funding at the authorized level. The Committee also continues to support funding for the USSS's Electronic Crimes Program. $1.482 billion was appropriated for the USSS for FY 2010. The Administration requests $1.811 billion in budget authority for FY 2011 for USSS. The Committee supports this request.

LEGAL SERVICES CORPORATION

The Legal Services Corporation (LSC) is a non-profit entity established by Federal statute for the purpose of providing financial support for legal assistance in noncriminal proceedings or matters to persons financially unable to afford legal assistance. The FY 2011 Presidential Budget Request proposes $435 million to LSC, an overall increase of $15 million in Federal funding from the FY 2010 enacted budget. The FY 2011 Presidential Budget Request allocates $407 million for basic field programs and required independent audits; $4 million for the Office of Inspector General; $20 million for management and grants oversight; $3 million for client self-help and information technology; and $1 million for loan repayment assistance.

Pursuant to its independent budgetary authority, however, LSC requests $516.5 million in appropriated funds for FY 2011. The request specifically allocates: $484.9 million for basic field grants; $4.35 million for the Office of Inspector General; $19.5 million for Management and Grants Oversight operations; $6.8 million for the Technology Initiative Grants program; and $1 million for the Herbert S. Garten Loan Repayment Assistance Program. The Committee is supportive of ensuring that LSC has sufficient resources to properly support its work.

OFFICE OF GOVERNMENT ETHICS

The Office of Government Ethics (OGE) is responsible for providing the overall direction of executive branch policies designed to prevent conflicts of interest and to ensure high ethical standards. In partnership with executive branch agencies and departments, OGE develops ethics training courses and other educational materials for government employees, conducts on-site reviews of existing ethics programs, and provides advice and guidance on the Standards of Conduct for Employees of the Executive Branch. For FY 2011, OGE is requesting $14.73 million, an increase of the $227,000 over the FY 2010 enacted level of $14.5 million. The

Committee supports this request and recommends that OGE be adequately funded in FY 2011 to fulfill its important functions.

U.S. COMMISSION ON CIVIL RIGHTS

The Commission on Civil Rights was established by the Civil Rights Act of 1957, Pub. L. 85-315, 71 Stat. 634, to serve as a bipartisan, fact-finding agency to investigate and report on the status of civil rights. The Commission received funding of $9.4 million for FY 2010 and has essentially received flat funding in past years, with only incremental adjustments. The Committee will examine the continuing mission of the Commission and its ability to perform core functions in its current configuration and level of funding.

U.S. PATENT AND TRADEMARK OFFICE

The Committee supports the United States Patent and Trademark Office (USPTO) FY 2011 budget request of $2.331 billion.

The Committee believes it is crucial to do everything possible to support the USPTO in its efforts to reduce the patent backlog, increase patent quality, and make patent and trademark protection available to America's inventors and businesses. The economic activity of these individuals and companies contribute heavily to the creation of jobs in the United States and growth of the United States economy.

The Committee is pleased to see that the new leadership at the USPTO has taken aggressive action to cut waste and improve the agency's efficiencies. Among the more notable actions include:

- Developing a workflow process that will allow for quicker resolution of pending patent applications. This improved process will bring various patent-related fees to the agency in a more timely fashion, reduce labor costs associated with examining patent applications, and provide better customer service by reducing patent pendency to 20 months by 2014 (At the end of FY2009, patent pendency was 34.6 months and is projected to reach almost 40 months by FY2015 if unabated).

- Employing a commonsense hiring strategy that focuses on recruiting individuals with proven experience in patent examination. This will allow new hires to contribute more effectively to patent examination sooner, and will reduce the need to take experienced examiners away from patent examination in order to train new recruits.

- Improving the agency's technology infrastructure, including the agency's capabilities to allow employees to telework, which has proven to improve employee efficiency. Additionally, the agency has developed a multi-year plan to update and replace antiquated systems that hinder patent examiner efficiency.

The Committee notes that the USPTO is a user fee funded agency and that due to the recent economic downturn, user fee collections have become less predictable leading to significant budget shortfalls in the short-term. In order to address these shortfalls, the Committee supports a temporary 15% surcharge on various patent fees as called for in the budget. The Committee also supports the agency's proposal to establish a patent operating reserve that will be used to protect the agency against unforeseen fee disruptions. Additionally, the Committee supports in principle granting the agency greater authority to set patent-related fees in order to allow the USPTO to better account for, and adjust to, fluctuations in patent examination costs, however the Committee is concerned that the proposal does not contain a clear Congressional oversight component.

The Committee further notes that all the improvements discussed above are contingent upon the agency having access to all the user fees that it collects. Given the importance of the USPTO's function to the United States economy, the Committee believes that no circumstance justifies diversion of USPTO fees.

STATE JUSTICE INSTITUTE

The State Justice Institute (SJI) was established by federal law (42 U.S.C. 10701 et seq.) in 1984 to award grants to improve the quality of justice in state courts, facilitate better coordination between state and federal courts, and foster innovative, efficient solutions to common issues faced by all courts.

Since it began awarding grants in 1987, SJI has awarded more than $150 million in grants and scholarships to support more than 2,000 projects. Pursuant to oversight legislation passed in the 107th Congress, the Attorney General, in consultation with the Federal Judicial Center, conducted a review of SJI operations and reported his findings to Congress. The Attorney General concluded that the Institute had been "effective" and had complied with its statutory mission. He further observed that "support for state court innovation and improvement is a federal interest."

Following the Attorney General's report, the 108th Congress reaffirmed its commitment to SJI by passing the State Justice Institute Reauthorization Act of 2004, Pub. L. 108-372, authorizing SJI's operations through FY 2008.

The FY 2011 Presidential Budget Request proposes $5.411 million to SJI, an overall increase of $280,000 in federal funding from the FY 2010 enacted budget. Pursuant to its independent budgetary authority, however, SJI requests $6.273 million in appropriated funds for FY 2011. The Committee is supportive of ensuring that SJI has sufficient resources to properly support its work.

The Committee commends SJI for implementing many cost savings initiatives over the past several years. For example, SJI has increased efficiencies by better incorporation of information technology and financial and payroll management systems in its work. Cost savings have been redirected to support SJI grants.

U.S. COPYRIGHT OFFICE

The Copyright Office budget is a separate appropriation in the overall budget for the Library of Congress. The Copyright Office administers the U.S. copyright laws, provides copyright expertise to the Congress and executive branch agencies, and actively promotes international protection for intellectual property created by U.S. citizens. The Committee supports the Copyright Office FY 2011 budget request of $56.78 million.

PRO-IP IMPLEMENTATION

The Committee has determined that intellectual property theft imposes a substantial negative economic impact on the United States. To address this problem, the Committee authorized, through the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (PRO-IP Act, P.L. 110-403), the creation of an Intellectual Property Enforcement Coordinator (IPEC) within the Executive Office of the President. The IPEC chairs an interagency intellectual property enforcement advisory committee, coordinates the development of a Joint Strategic Plan against counterfeiting and infringement, and provides other assistance in the coordination of intellectual property enforcement efforts. The Committee supports such sums as are necessary to enable the IPEC to fully execute her statutory responsibilities.

The Committee is pleased the IPEC was recently nominated and confirmed, but is concerned the IPEC has not been given a clear budget or staff. It is imperative the IPEC receive funding and staff support commensurate with the enormous responsibilities of this critical position.

Also through the PRO-IP Act, the Committee directed the Department of Justice to dedicate substantial law enforcement resources to intellectual property piracy and counterfeiting. This includes: (1) $25,000,000 for the IP-TIC grants program to fund State or local law enforcement entities (including law enforcement agencies of municipal governments and public educational institutions) for training, prevention, enforcement, and prosecution of intellectual property theft and infringement crimes; (2) $10,000,000 to the Director of the Federal Bureau of Investigation and $10,000,000 to the Attorney General for the Criminal Division of the Department of Justice to investigate and prosecute intellectual property crimes and other criminal activity involving computers; (3) $10,000,000 to be used to provide at least 10 additional FBI agents to support the Computer Crime and Intellectual Property Section of the Criminal Division, at least one additional FBI agent in each Computer Hacking and Intellectual Property Crime Unit, and to ensure that at least two Assistant United States Attorneys are assigned to each Computer

Hacking and Intellectual Property Crime Unit; and (4) to ensure the implementation of a regular and comprehensive training program.

Given the priority Congress places on ensuring intellectual property rights are more fully protected, the Committee encourages the Administration to provide clear information regarding the level of funding and resources dedicated to the IPEC's mission as well as the specific amounts dedicated by the DOJ to the implementation of PRO-IP in FY 2011. In future fiscal years, the Committee looks forward to having such specificity incorporated into the budget submission. The Committee supports full funding of the above authorizations, as anticipated and provided under the PRO-IP Act.

NICK J. RAHALL II, WV
CHAIRMAN
DALE E. KILDEE, MI
ENI F.H. FALEOMAVAEGA, AS
NEIL ABERCROMBIE, HI
FRANK PALLONE, JR., NJ
GRACE F. NAPOLITANO, CA
RUSH D. HOLT, NJ
RAUL M. GRIJALVA, AZ
MADELEINE Z. BORDALLO, GU
JIM COSTA, CA
DAN BOREN, OK
GREGORIO SABLAN, MP
MARTIN HEINRICH, NM
GEORGE MILLER, CA
EDWARD J. MARKEY, MA
PETER A. DeFAZIO, OR
MAURICE D. HINCHEY, NY
DONNA M. CHRISTENSEN, VI
DIANA DeGETTE, CO
RON KIND, WI
LOIS CAPPS, CA
JAY INSLEE, WA
JOE BACA, CA
STEPHANIE HERSETH SANDLIN, SD
JOHN P. SARBANES, MD
CAROL SHEA PORTER, NH
NIKI TSONGAS, MA
FRANK KRATOVIL, JR., MD
PEDRO R. PIERLUISI, PR

JAMES H. ZOIA
CHIEF OF STAFF

U.S. House of Representatives
Committee on Natural Resources
Washington, DC 20515

DOC HASTINGS, WA
RANKING REPUBLICAN MEMBER
DON YOUNG, AK
ELTON GALLEGLY, CA
JOHN J. DUNCAN, JR., TN
JEFF FLAKE, AZ
HENRY E. BROWN, JR., SC
CATHY McMORRIS RODGERS, WA
LOUIE GOHMERT, TX
ROB BISHOP, UT
BILL SHUSTER, PA
DOUG LAMBORN, CO
ADRIAN SMITH, NE
ROBERT J. WITTMAN, VA
PAUL C. BROUN, GA
JOHN FLEMING, LA
MIKE COFFMAN, CO
JASON CHAFFETZ, UT
CYNTHIA M. LUMMIS, WY
TOM McCLINTOCK, CA
BILL CASSIDY, LA

TODD YOUNG
REPUBLICAN CHIEF OF STAFF

March 5, 2010

Rep. John M. Spratt
Chairman
House Committee on the Budget
Room 207, CHOB
Washington, D.C. 20515

Dear Chairman Spratt:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am submitting the views and estimates of the Committee on Natural Resources on the Fiscal Year 2011 budget. Also attached are additional and dissenting views submitted by Ranking Member Doc Hastings. Thank you for your consideration.

With warm regards, I am

Sincerely,

Nick Rahall

NICK J. RAHALL, II
Chairman
Committee on Natural Resources

cc: Rep. Paul Ryan, Ranking Member, Committee on the Budget
Rep. Doc Hastings, Ranking Member, Committee on Natural Resources

VIEWS AND ESTIMATES OF THE COMMITTEE ON NATURAL RESOURCES FOR FY 2011

INDIAN AFFAIRS

Each year the federal government appropriates funds for Native Americans based on numerous treaties signed between the United States and Indian tribes, as well as statutes passed by Congress, and Supreme Court holdings.

Bureau of Indian Affairs

The President's Fiscal Year (FY) 2011 budget request includes programmatic increases of $70.6 million for the Empowering Tribal Nations initiative. This initiative seeks to advance Nation-to-Nation relationships and enhance tribal self-determination by improving funding for Indian education, protecting Indian communities, and reforming trust land management.

The President's budget proposal also includes an additional $20 million increase over the FY 2010 enacted level to combat criminal activity on Indian lands. Less than 3,000 tribal and federal law enforcement officers currently patrol more than 56,000,000 acres of Indian country. This constitutes less than one half of the law enforcement presence in comparable rural communities nationwide. Indian country also faces a violent crime rate that is nearly twice the national average. The FBI is primarily responsible for investigating major crimes on Indian land. This funding increase consists of $19 million to hire FBI agents dedicated to Indian lands and an additional $1 million for detention center operations. The Committee supports the President's request for increased funds for FBI agents dedicated to Indian lands, but remains concerned over inadequate funding for general law enforcement resources available to help keep Native peoples safe.

Proposed funding for contract support costs constitute the largest increase at the Bureau of Indian Affairs, an increase of $21.5 million over the FY 2010 enacted level. This increase is much needed and will help tribes exercise their sovereignty as the federal government upholds its trust responsibility. The Committee applauds this significant increase as it will lead to a greater degree of tribal self-determination through tribally-run programs.

Fractionation of trust lands has caused major trust management problems in Indian country. For instance, more than 5 million acres of Indian-owned land is unproductive because individual tracts have multiple owners. Adequate funding is needed to assist tribes in consolidating Indian lands so that the land may be put to productive use. The budget includes $1 million for the Indian Land Consolidation Program to maintain this program and assist in estate planning. If the pending settlement

proposal in the case of *Cobell v. Salazar* is enacted by Congress, an additional $2 billion will be made available for trust land consolidation.

Indian country has the potential to assist the United States in combating global warming and the energy crisis with the development of renewable resources on Indian lands. At the same time, developing renewable energy on Indian lands has the potential to help alleviate the average unemployment rate of 26% which exists in Indian country today. The FY 2011 budget proposes an increase of $2.5 million for energy projects as part of the Department's New Energy Frontier Initiative. The Committee also supports funding for renewable energy programs within the Bureau of Indian Affairs.

Indian Health Service

President Obama's FY 2011 budget request for the Indian Health Service (IHS) is $4.4 billion, an increase of $354 million over the enacted funding for FY 2010. The Committee strongly supports this increased funding. This proposed increase will help IHS achieve ~~their~~ its goals to build and sustain healthy communities, provide accessible and quality health care, and foster collaboration and innovation across the Indian Health System.

There are notable program increases including $84 million for contract health services, which includes essential services such as inpatient and outpatient care, routine and emergency care, and medical diagnostic imaging, physical therapy, and laboratory services.

The increase of $46 million for contract support costs will help enable tribes to improve the delivery of federal health care programs to tribal members.

Further, the proposed budget calls for an increase of $37 million for health care facilities construction. This funding will allow for the continued construction of a hospital in Alaska as well as outpatient clinics in Arizona. These facilities are expected to serve over 30,000 patients once completed.

An additional $4 million has been requested to support Health Information Technology to secure the exchange of medical data. These funds will help Indian health facilities improve and modernize data exchange equipment and protocols in order to meet recent government mandates regarding such data exchange.

The Committee applauds the President's commitment to this important issue. While the unmet need for health care services in the United States is dire, it is especially so in Indian country and urban Indian communities. A few of the statistics illustrate the startling situation that exists in the United States:

- Native infants have a death rate 40% higher than that of the majority of Americans.

- Native youth are twice as likely to commit suicide.
- Native people battle the highest rates of Type 2 diabetes in the world.
- The life expectancy of Native peoples is five years less than that of other Americans.
- Indian health clinics are outdated with an estimated facility maintenance backlog of $370 million.

The substantial and much needed increase to the IHS budget will allow for Indian health care facilities to continue addressing these issues and to do so more effectively. The Committee commends the President for his efforts to uphold our trust responsibility by ensuring that the health and welfare of our First Americans are not forgotten.

INSULAR AFFAIRS, OCEANS AND WILDLIFE

The Territorial Clause of the U.S. Constitution provides the Congress with powers to "dispose of and make all needful Rules and Regulations respecting the Territory or other Property belonging to the United States..." The enactment of certain federal laws has provided the Secretary of the Interior with the authority to carry out functions to improve the economic and political development of the U.S. territories of the Virgin Islands (USVI), Guam, American Samoa, and the Commonwealth of the Northern Mariana Islands (CNMI). Congress makes annual appropriations available to the Interior Department's Office of Insular Affairs (OIA) to assist in their mission to help the aforementioned U.S. territories. Additionally, annual appropriations for three former U.N. Trust Territories of the Pacific Islands, whose political relationship and funding agreements are governed under Compacts of Free Association, are carried out through the Department of the Interior's Office of Insular Affairs.

Administration of Territories

The U.S. insular areas other than Puerto Rico (American Samoa, Guam, the CNMI and the USVI) are provided special assistance through the Administration of Territories appropriations account. This Department of the Interior account also funds technical assistance to these areas, as well as the three Freely Associated States (FAS): the Federated States of Micronesia (FSM), the Republic of the Marshall Islands (RMI) and the Republic of Palau (RP).

The FY 2011 budget is expected to provide $87 million in current appropriations, an amount which is $22.8 million below the FY 2010 enacted level and $34.4 million below the President's FY 2010 budget request. While the committee is disappointed that the FY 2011 budget is below the current year's level, we applaud the Administration's efforts to strengthen insular communities through its newly developed Empowering Insular Communities program to implement private sector economic development and

promote sound financial management practices in the insular governments. Additionally, the Committee feels that OIA should continue to receive additional funding to continue to fund the operations of the CNMI Ombudsman office. The Committee continues to believe that the Ombudsman's office is best situated to assist non-resident guest workers with outstanding claims against CNMI employers, for which there is no other avenue until the extension of U.S. immigration laws to the CNMI comes into effect.

Guam Buildup

Under an October 2005 agreement, entitled "U.S.-Japan Alliance: Transformation and Realignment for the Future" (ATARA), the U.S. and the Government of Japan agreed to realign U.S. and Japanese forces throughout the Pacific. As part of this realignment effort, the United States and Japan agreed to relocate 8,000 Marines and 9,000 dependents from Okinawa to Guam by 2014.

The department's budget justification acknowledges that Guam's infrastructure will be an important consideration for the FY 2011 and subsequent budgets in view of the fact that island's population is expected to grow 20 percent by 2014. While financial resources are available for on-base military construction, the committee supports recommendations for funding to provide adequate roads, power, water and wastewater systems shared by the military and civilian community to ensure that civilian facilities are able to meet the growing resource needs of a larger population.

War Claims

For nearly three years during World War II, the people of Guam, American nationals at the time, endured a brutal enemy occupation, in part due to their intense and unwavering loyalty to the United States of America. However, the response of the United States Government to redress their sufferings, damages and losses has been determined inadequate by two separate federal commissions, and without parity as compared to relief provided by Congress to other Americans who experienced losses during the war.

As a result, on February 23, 2009, the House of Representatives passed H.R. 44, the Guam World War II Loyalty Recognition Act, which this Committee reported favorably and for which action is pending in the Senate. The House of Representatives also passed H.R. 44 as Title XVI of H.R. 2647, the National Defense Authorization Act for Fiscal Year 2010, on June 25, 2009; however, the Senate rejected these provisions in the conference committee. H.R. 44 would implement the recommendations of the Guam War Claims Review Commission, which submitted its final report to the Committee on June 9, 2004 pursuant to Public Law 107-333. It would do so by authorizing the appropriation of $126 million for the Secretary of the Treasury to make specified payments to survivors of the enemy occupation of Guam who were raped, injured, interned, or subjected to forced labor or marches, and to survivors of residents of Guam who died during the war. These claims would be adjudicated by the Foreign Claims Settlement Commission and the costs fall within budget function 800 (General

Government). The legislation also would authorize the appropriation of $5 million for a grant program to memorialize the occupation of Guam. The Committee believes it is important for the budget to take into account these costs and for H.R. 44 to be enacted into law without further delay.

Territorial Assistance

The Office of Insular Affairs is intended to be the Executive Branch's primary agency for matters concerning all of the insular areas other than Puerto Rico. It is charged with providing financial and technical assistance to these areas and it is expected to be an expert on and advocate for them within the Executive Branch.

The Committee continues to acknowledge and support recommendations made by the Interior Department's Inspector General (IG) in 2007 and the Government Accountability Office (GAO) that a more coordinated effort should be made between the OIA and other federal grant-making agencies on issues of common concern relating to insular governments. Some of the ongoing concerns are single audit reports, high-risk designations, and deficiencies in financial management systems and practices.

The technical assistance program is one of OIA's most useful programs because it provides insular governments with relatively small amounts of assistance for projects of all kinds on a discretionary basis. The program allows each government to identify pressing needs and priorities and develop action plans to mitigate these problems, which OIA then funds. A major focus the program has been to help insular governments to improve the productivity and efficiency of government operations.

The Committee supports an increase to OIA's Technical Assistance account to provide more assistance in helping insular governments establish sound financial management systems, improve accounting systems, and promote stable economic development.

The Pacific Islands Committee (PIC) of the Judicial Council of the Ninth Circuit's assessment of the education and training needs for judges and court personnel benefits the U.S. Territories of Guam, the CNMI, and American Samoa, as well as the freely associated State of Palau. The program strengthens all aspects of each respective judiciary by providing a more competent, stable, and fair judicial system. The Committee strongly agrees with the recommendations of the PIC and supports an increase of funds for this initiative.

The 177 Healthcare Program created under the Compact of Free Association with the Republic of the Marshall Islands (P.L. 99-239), serves the communities from the four atolls of Enewetak, Utrok, Rongelap, and Bikini exposed to fallout from the U.S. thermonuclear weapons testing program in the mid-1950's. The U.S. Administration has previously taken the position that nuclear compensation issues should be addressed separately from other assistance programs and in the context of the Marshall Islands' petition to Congress for additional nuclear claims compensation. Congress has supported

a temporary extension of the 177 Healthcare Program. The Committee supports providing funding to continue the 177 Healthcare Program.

For more than two decades, the Close Up Foundation has worked with the Office of Insular Affairs to address the civic education needs of insular area communities. The Close Up Insular Areas Program allows students and educators from American Samoa, the Commonwealth of the Northern Mariana Islands, Guam, the Federated States of Micronesia, the Republic of the Marshall Islands, the Republic of Palau, and the United States Virgin Islands to participate in Close Up's Washington D.C. civic education programs. Additionally, the program provides for Close Up staff to work with these communities in funding local civic education programs, providing educational materials, conducting workshops and attending educational conferences on the Islands.

Because the costs of conducting this valuable program have skyrocketed as rising energy prices have dramatically raised the cost of providing airfare, local transportation and food to participants, the Committee supports an increase of funds for this important program.

American Samoa Government Operations

In addition to recovering from the affects of a devastating Tsunami that hit the island last September, American Samoa, like the other territories continues to face serious economic challenges. The Department of the Interior's own budget justifications acknowledge that the sudden and severe loss of jobs, estimated at 2172 or 12% of total employment, that was created by the closure of the Chicken of the Sea (COS) tuna cannery will severely impact the viability of the territory. Moreover, the Governor of American Samoa in testimony before this Committee indicated the remaining cannery, Star Kist, may also close due to increasing pressure from changes to international trade and tariff policies and the recent enactment of a federal minimum wage schedule.

The Committee continues to recognize that the American Samoa government is working towards establishing a healthy financial position under the Revised Fiscal Reform Plan and the August 2002 Memorandum of Understanding between then Governor Tauese P. Sunia and then DOI Deputy Assistant Secretary David B. Cohen. Continued pressures on the local government should be considered in deciding which government, that of American Samoa or the U.S., should bear the increased costs in American Samoa's operating budget attributed to inflation or population growth.

Covenant Grants

The law that approved the Covenant that established the political union between the United States and the CNMI committed the federal government to provide the Commonwealth with assistance for government operations, capital and economic development for seven years. It also contemplated further multi-year assistance based upon consultations between representatives of the President and the CNMI Governor

prior to the end of every multi-year period. Beginning in FY 1992, this law required that $27.72 million be provided annually until another law on the matter was enacted.

In 1996, Public Law 104-134 reduced the annual funding to the CNMI and allocated the remaining funds for use throughout the U.S. insular areas. Each of the territories received funding through this mandatory Covenant appropriation to fund Capital Improvement Projects (CIP). Beginning in Fiscal Year 2005, OIA implemented a competitive allocation system for the $27.72 million mandatory Covenant CIP grants, based on a premise that all funds will be used for capital improvement needs in the U.S. territories. The new process offers the U.S. insular area governments the opportunity to compete each year for a portion of the guaranteed funding in addition to other assistance for local funding that might be available.

The Committee believes that maximum consideration for funding should be given to those governments that are under federal court orders and consent decrees for compliance or violations of federal environmental laws. Additionally, the Committee has growing concerns that a significant amount of CIP funding appropriated in previous fiscal years remains either unspent or unobligated.

Compacts of Free Association

Funding to the FSM, RMI and RP are almost entirely met through permanent indefinite or mandatory appropriations. The Committee supports the President's budget for the mandatory and other federal services requests in accordance with the various negotiated agreements.

The Compact Amendments Act (CAA) (P.L. 108-188) provided mandatory funding for the Enewetak Food and Agriculture Program (EFAP). The Enewetak Atoll was the site of 43 nuclear tests carried out by the United States in the 1950's. Partial resettlement of the Enewetak people has occurred; however, more than half of the atoll remains contaminated by radiation. In Fiscal Years 2005 - 2009, Congress added close to $500,000 more to the mandatory funding provided for in the CAA which has allowed the EFAP to keep up with inflation. The Committee supports the same funding for FY 2011 to cover inflationary costs.

The FY 2011 budget includes a placeholder of $20.8 million in recognition of the ongoing review of the relationship between the United States and Palau. Legislation is being drafted that would extend the financial assistance provisions of the Palau Compact of Free Association for an additional fifteen years, through 2024, with total funding over the period of $250 million. Although the review is ongoing and the legislative proposal is still being developed, the Administration expects to propose a program of assistance that ensures the viability of Palau's trust fund, maintains the stability of Palau's government and continues Palau's eligibility for federal programs and services, including the U.S. Postal Service.

Addressing the Impacts of Climate Change on Natural Resources

As recent environmental observation and monitoring data make clear — whether expressed in the form of glacial retreat, variant wildlife migration patterns or increased ocean acidification — our federal lands, waters, fish, and wildlife resources and our ocean and coastal marine resources are in a state of transition. As such, both species and habitats are becoming more vulnerable to a wide range of physical, biological, economic, and social effects as a result of climate change and the uncertainty therein. At the same time, the Committee recognizes that our public lands and resources represent some of the best opportunities available for implementing natural resource adaptation strategies to help mitigate some of those effects. As we have stated in the past, the unfortunate policies of the previous Administration not only left our federal resource agencies at a significant disadvantage in this effort, but also dithered away valuable time which ought not to have been wasted.

The Committee continues to support this Administration's efforts to finally develop a comprehensive strategy and identify the priorities and resources necessary to build more robust, science-based capabilities to guide and address the information needs of not only federal land and ocean managers, but also state and tribal resource managers and other non-governmental stakeholders, to directly confront the challenges presented by a variable climate. Last year, the Administration requested more than $130 million to assist federal land management agencies, states and tribes to perform scientific analyses and monitoring, and to update land management and species recovery plans to reflect the impacts of climate change on wildlife and other natural resources they manage. The proposed FY 2011 budget seeks an additional $171.3 million to support the Department of the Interior's Climate Change Adaptation Initiative, an increase of $35.4 million over FY 2010, which should allow the bureaus within the Department to confront the realities of climate change through an integrated strategy. The Committee expects that these additional resources will best be utilized to further develop Landscape Conservation Cooperatives, enhance environmental monitoring, and increase targeted scientific research to better understand the geographical, hydrological, biological, and ecological impacts attributed to climate change across our public lands and waters.

U.S. Fish and Wildlife Service

The U.S. Fish and Wildlife Service (Service) is the principal federal agency responsible for conserving, protecting and enhancing fish, wildlife, plants and their habitats. The Service manages the 96-million-acre National Wildlife Refuge System, which encompasses 548 national wildlife refuges, 37 wetland management districts, other special management areas, and as of January 6, 2009, three new marine national monuments that protect 195,280 square miles in the Pacific Ocean. The Service also operates 70 national fish hatcheries, 64 fishery resource offices and 81 ecological services field stations.

Our fish and wildlife resources provide billions of dollars in benefits to the U.S. economy, are an integral part of our nation's heritage, and provide abundant opportunities for people young and old, urban and rural, to experience wildlife-dependent outdoor

recreational activities, such as hunting and wildlife photography. Yet several factors, notably climate change, habitat loss and fragmentation, invasive species, inadequate water quality and availability, and the illegal trade in wildlife and wildlife products remain paramount threats to our wildlife legacy, not only here in the United States but also abroad. As much as the Committee supports the Administration's request to seek additional funds to address the impacts of climate change, we cannot lose sight of the underlying need to provide adequate funding for the wide range of programs administered by the Service which were under-funded for years by the prior Administration. In this respect, the Committee is disappointed that the Administration has requested an overall cut of $3 million from the FY 2010 appropriated level for the Service's FY 2011 Resource Management account.

National Wildlife Refuge System

The Committee remains concerned with the long-term operations and maintenance budget backlog facing the National Wildlife Refuge System now estimated by the Cooperative Alliance for Refuge Enhancement (CARE) to be approximately $3.5 billion. While the Refuge System received another much-needed increase in its FY 2010 appropriations, even the increased amount of $503 million pales in comparison with the $808 million recommended by CARE to address annual operation and maintenance needs. The Committee, while appreciative of the Administration's $20 million increase for Refuge System land acquisition, is concerned that the overall request of $499.5 million for operations and maintenance represents a $3.5 million decrease from the previous year's appropriation. Considering that the Refuge System needs an additional $15 million each year just to cover annual increased costs for uncontrollable expenses, the Administration's request represents a step backwards from progress made after three consecutive years of increased funding. In order to cover ever-increasing costs and also provide additional funds for essential program activities, such as completion of comprehensive conservation plans for all refuges by the year 2013, and to provide new funds to develop management plans for three new marine national monuments, the Committee urges that the Refuge System be funded at an amount that builds upon last year's increased appropriation. Short of that, the prospect of renewed efforts to pare back staff, restructure field operations, and close individual refuges to public use could become an uncomfortable reality.

Endangered Species Program

The Committee is pleased that the Administration has moved aggressively to restore the credibility and scientific integrity of its Endangered Species Act (ESA) programs and to restore the morale and reputation of the Service's employees charged with its implementation. The Committee will continue to work closely with the Administration to restore transparency, consistency, and accountability in its implementation of the ESA and to ensure that sound science is the basis for decision-making under the law. As the Committee stressed last year, increased funding for ESA programs is of paramount importance to address the backlog in proposed listings and to develop critical habitat designations. The Committee, while certainly appreciative of the

$2 million proposed increase to conduct renewable energy consultations and the $5.8 million increase for the Cooperative Endangered Species Fund, recognizes nonetheless that the overall request for base funding represents level funding at the FY 2010 appropriated level, which is a disappointment.

Coastal Barrier Resources Act (CBRA)

Sufficient funding to implement the digital mapping modernization program to improve the accuracy and availability of maps produced under the Coastal Barrier Resources Act (CBRA) remains a high priority for the Committee. According to the 2007 report released by the Government Accountability Office, this market-based conservation approach has saved the U.S. Treasury an estimated $1.27 billion. In addition, the effectiveness of the program was reaffirmed by the positive review it received from the Office of Management and Budget during the program's FY 2006 performance rating assessment. If even the most modest projections of sea level rise are accurate, the role of this program in preventing or inhibiting development on high-risk coastal barriers will assuredly save the taxpayer even greater amounts in the future.

As has been noted, however, the existing series of 600 hand-rendered paper maps that depict undeveloped coastal barriers desperately needs to be modernized. In the 2006 reauthorization of the Act, the Service was directed to complete the digital transformation of all CBRA maps that was authorized as part of the 2000 reauthorization. A pilot digital mapping program was completed in 2008, and in 2009, the Service filed its final report, including 70 new digitized maps, and completed an extensive public comment period. Considering the substantial practical and technical benefits of digital maps and the relatively low cost to complete the transition to a digital database — roughly estimated at $12 million — the Committee continues to support this critical modernization effort. Unfortunately, the Administration's Fiscal Year 2011 budget fails to request any funding to support this initiative. In light of the Administration's request of $171 million to support the Service's Climate Change Adaptation Initiative, the Committee is disappointed that the Administration did not include any funding for CBRA map modernization within this request. The Committee recommends that sufficient funds be provided to allow the Service to continue the transition to a digital data base to modernize this critical tool for preserving coastal habitat, protecting coastal communities facing the challenges of rising seas and increased frequency of severe storms, and reducing future potential costs to taxpayers by billions of dollars.

North American Wetlands Conservation Act (NAWCA)

The North American Wetlands Conservation Act provides matching grants to organizations and individuals who have developed partnerships to carry out wetlands conservation projects in the United States, Canada, and Mexico for the benefit of wetlands-associated migratory birds and other wildlife. This tremendously successful program has become increasingly important as climate change shifts critical bird migration timetables and creates new habitat needs for staging, foraging and nesting areas. Although the Administration proposed a $10 million increase in funding for

NAWCA in FY 2010, and despite the Congress appropriating $47.6 million, the Administration has requested only $42.6 in FY 2011. The Committee considers this decrease to be inconsistent with other partnership conservation initiatives proposed by the Administration, especially its Landscape Conservation Cooperatives and Treasured Landscapes Initiatives, and urges that NAWCA funding be restored to no less than the FY 2010 appropriation.

Neotropical Migratory Bird and Multinational Species Conservation Programs

The Neotropical Migratory Bird Conservation Act (P.L.106-247) and the international wildlife conservation matching grant programs authorized under the Multinational Species Conservation Fund (MSCF) provide critical funding to support migratory bird projects in the Western Hemisphere and wildlife conservation projects that benefit elephants, rhinos, tigers, great apes or sea turtles around the world. Remarkably effective in leveraging non-federal matching contributions at a ratio of at least 3:1, these programs effectively demonstrate at low cost U.S. global leadership in migratory bird and wildlife conservation. The Committee is disappointed that the Administration has requested $4 million for the Neotropical Migratory Bird program and $10 million for the MSCF funds, which reflect 20% reductions from their respective FY 2010 appropriations. New MSCF funds are expected to be authorized by the Congress in 2010 for great cats and rare canids, and for cranes. Additionally, the unmet demand for grants under all of these programs far outstrips available grant funds. As such, the Committee recommends that funding for both the Neotropical Migratory Bird Conservation Act and the MSCF funds receive no less than their respective FY 2010 appropriation.

National Oceanic and Atmospheric Administration

The world's oceans and coasts are crucial to life on Earth. Yet, the synergistic effects of human activity, including energy development, habitat destruction and overfishing – both domestically and internationally – as well as the spread of invasive species, climate change, and pollution have initiated changes of untold magnitude. Healthy oceans are vital not only to our survival but also to our quality of life; without healthy oceans we are ecologically and economically diminished. Science must inform our utilization of ocean goods and services so that we may enjoy the abundance that healthy oceans can provide. Our stewardship responsibilities will include realizing federal and regional ocean governance reforms, reviving our traditional international leadership role, implementing improvements in the management of fisheries and marine mammals, protecting special places in the marine environment as the inheritance of future generations, planning for the effects of climate change and offshore energy development, and providing the funding necessary to set a meaningful pace of positive change.

The Committee is pleased to see a substantial effort to build the National Oceanic and Atmospheric Administration's (NOAA) capacity to anticipate and respond to climate change. However, while the overall budget proposal for NOAA is 15% higher than the FY 2010 appropriation, with a few exceptions the FY 2011 proposed budget continues

the trend of bolstering atmospheric programs, while cutting oceans and water-related functions. In addition, while the Committee supports NOAA's recently announced reorganization to create a National Climate Service line office, the Committee is concerned that subsequent reprogramming requests necessary to facilitate this reorganization might further deplete important ocean, coastal, and fisheries accounts.

National Ocean Service (NOS)

The National Ocean Service (NOS) is the primary federal agency working to preserve America's ocean and coastal resources and to provide essential navigational products and services. The Committee generally supports the increases in NOAA funding to support remotely sensed and advanced climate and ocean research and the maintenance of several applied research facilities and programs within the National Centers for Coastal Ocean Science. As it has become abundantly clear that ocean acidification, harmful algal blooms and other human-induced activities are dramatically affecting the present and future health of the world's oceans, the Committee supports improvements in competitive research to build the infrastructure necessary for real-time data delivery to federal resource managers and non-federal stakeholders.

The Committee is also pleased to note new applied science and technical assistance programs designed to help coastal communities prepare for and deal with the environmental and infrastructure impacts of climate change, especially initiatives supported through NOAA's Coastal Services Center. The Committee further commends the Administration for requesting $25 million for Coastal and Estuarine Land Conservation grants, which represents a 20% increase over the FY 2010 appropriation to support additional land acquisition in coastal watersheds.

Of particular concern to the Committee, however, is the continued erosion of funding for Navigation Services and the Ocean Resources Conservation and Assessment accounts, including full funding for such important programs as the Integrated Ocean Observation System (IOOS) and NOAA's natural resource damage assessment program. The Committee maintains that as IOOS continues to evolve it will provide real-time ocean and environmental observation data that will quickly become indispensible not only for resource managers, but also for climate scientists and researchers. The Committee is especially concerned by the Administration's request to cut funding by approximately 50% to support regional observations which are essential to further advance important non-federal components of IOOS. The Committee is also disappointed that the Administration has proposed cutting $3.5 million from NOAA's coral reef conservation program. The Committee recommends restoring funding for this program at no less than the FY 2010 appropriated level and also urges continued support for existing coral reef institutes.

The Ocean and Coastal Management budget, which funds critical geographically-oriented conservation programs such as the National Marine Sanctuary System and the National Estuarine Research Reserve System, and which also provides management grants to support Coastal State Management Programs, would also suffer substantial

decreases under the Administration's proposal. While the Committee is pleased to see new initiatives to support coastal and marine spatial planning and to fund regional ocean partnership initiatives, existing OCRM programs which presently advance comprehensive planning, ecosystem-based management, and applied estuarine science and research should not suffer, especially the Office of Marine Sanctuaries which has experienced flat budgets for several years and which now must develop a management plan for the new Rose Atoll Marine National Monument.

National Marine Fisheries Service (NMFS)

The National Marine Fisheries Service (NMFS) is responsible for the conservation and management of fisheries and other living marine resources within the U.S. Exclusive Economic Zone. Among other changes to our federal fishery management system, the Magnuson-Stevens Fishery Conservation and Management Reauthorization Act (MSRA) of 2006 mandated the implementation of annual catch limits and accountability measures to end overfishing and the revision of NMFS procedures for compliance with the National Environmental Policy Act.

The Committee supports the Administration's stated intent to fully fund the implementation of the MSRA and its requirements to end overfishing by 2011. However, fulfilling those mandates will require adequate funding for stock assessments, cooperative research and other activities that provide the scientific and technical foundation to meet the statutory deadline for all federally managed stocks to adhere to annual catch limits by 2011. The Administration's FY 2011 proposal abandons these priorities by instead recommending a more than 100% increase in funding for a new national catch share program. Decreases in funding for observer training and cooperative research and no increases in stock assessments, at a time when many stock assessments around the country are years out of date, will further undermine efforts to implement the MRSA requirements using up to date scientific information that scientists and the fishing industry can have full confidence in. Whether intentional or not, the Administration's request with respect to meeting the requirements of the MSRA would appear to benefit only fisheries willing to implement a catch share program while penalizing those that do not. This is not a viable or reasonable national fisheries management policy.

Of similar concern is the lack of dedicated funding for improving and implementing the Marine Recreational Information Program, also mandated under MSRA. Last year, $3.5 million for this effort came from the Fisheries Research and Management Programs line, and $5.5 million from the Fisheries Statistics line, for a total of $9 million in FY 2010. Unfortunately, the program is still not providing reliable, timely data for management, yet the FY 2011 Fisheries Statistics request increased by only $340,000, which will not be sufficient to meet the requirements of the law and provide reliable data that both managers and recreational fishermen can have confidence in.

The Committee supports, however, the additional $2.3 million to support the NOAA/U.S. Department of Agriculture Alternative Feeds Initiative to develop aquaculture feeds that require less fish meal and fish oil from marine forage fish.

Office of Atmospheric Research

In general, the Committee supports the Administration's proposal to provide funding for climate and ocean research, including efforts to understand and monitor ocean acidification. As noted, the Committee applauds NOAA's decision to form a NOAA Climate Service line office to study and report on the changing climate, including creating a climate portal on the Internet to collect climatic data from NOAA and other sources. The increasing acidity of the world's oceans – and that acidity's growing threat to marine species – are definitive proof that the atmospheric carbon dioxide, which is causing climate change, is also negatively affecting the marine environment. Therefore, the Committee is pleased to see several new competitive research initiatives and $32.8 million in funding for climate modeling, assessment, sea rise monitoring, ocean observation, and analysis.

Yet these positive steps are undercut by reductions in other valuable programs such as NOAA's Ocean Exploration and Research Program, which would be cut by approximately 11% and by virtual level-funding for the National Sea Grant College Program, one of NOAA's premier extramural applied science and technical assistance partnership programs.

Office of Marine and Aviation Operations

The Committee is generally supportive of the Administration's request for a combined increase of $11.8 million to support capital improvements and installation of new technologies on the ***Miller Freeman,*** and the construction of two new fisheries research vessels (FRV5 and FRV6), including a shallow draft FRV, to replace the aged ***Oregon II*** and ***David Starr Jordan***. While the Committee remains supportive of NOAA's efforts to implement its fleet re-capitalization plan, the Committee remains concerned about the advanced service lives of two of NOAA's hydrographic survey vessels, ***Rainier*** and ***Fairweather.***

NATIONAL PARKS, FORESTS AND PUBLIC LANDS

Climate Change

The FY 2011 President's budget request includes climate change-related funding throughout the Interior Department and the United States Forest Service (USFS) for improved management, scientific research, and data management and dissemination. The budget also proposes establishment of eight Regional Climate Science Centers as well as creation of a network of Landscape Conservation Cooperatives to coordinate adaptation efforts between governmental and private partners.

Overall, the President's proposed budget for the Department of the Interior seeks $171.3 million for these initiatives, an increase of $35 million. The largest increases would go to the U.S. Geological Survey and Fish and Wildlife Service, with the Bureau of Land Management receiving $17.5 million and the National Park Service receiving $10 million.

The proposed budget for the USFS addresses climate change as part of a new Integrated Resource Restoration (IRR) budget line item. With a proposed budget of $694 million, IRR allows the USFS flexibility to deal with global warming in an adaptive manner. With a growing wildfire season and increased spread of forest diseases, as well as pine beetle infestations, IRR funding is proposed as a tool for managers to mitigate the effects of climate change through restoration projects.

This proposed focus on coordination, research and dissemination of information is consistent with legislative proposals put forth by members of this Committee.

Land and Water Conservation Fund

As part of the Administration's initiative to fully fund the Land and Water Conservation Fund (LWCF) by FY 2014, funding for NPS federal land acquisition and assistance to states would increase by $30 million, including increases of 27% for states, and 18% for federal acquisitions.

LWCF, which is authorized at $900 million annually across all four federal land management agencies and the state-side program, provides funding for federal land purchases for conservation and recreation, and to states, tribes and local governments to enhance outdoor recreation. If enacted, total LWCF funding in FY 2011 for Interior and the USFS would total $619.2 million, a 29% increase over the FY 2010 enacted level and a 104% increase over the FY 2009 level.

These proposed increases – particularly the resurrection of the stateside program – are remarkable and laudable. Revenues flow into the Fund as a result of continued depletion of off-shore energy resources; reinvestment of those funds in resource conservation on-shore is a successful, balanced, popular and time-tested idea.

National Park Service

The National Park System includes 392 units encompassing more than 84 million acres in 49 states, American Samoa, Guam, Puerto Rico, the Northern Mariana Islands, U.S. Virgin Islands and the District of Columbia. The National Park Service (NPS) expects to employ 21,501 full-time employee equivalents in FY 2011. In 2009, more than 285 million people visited the national parks, an increase of almost 4% over 2008.

The Administration is requesting $2.7 billion for the NPS in FY 2011, of which $2.3 billion is for operation of the National Park System. This represents an increase of $35.3 million over the FY 2010 enacted level for park operations.

However, the increases for operations come at the expense of non-operations accounts, with reductions from enacted levels in construction and major maintenance (-$44.6 million), the Historic Preservation Fund (-$25 million) and national recreation and preservation (-$17.4 million).

Funding increases for park operations are necessary and appropriate. However, increased investment in programs designed to sustain the long-term health of parks is critical and should accompany increases for current operations.

Youth in Natural Resources Initiative

Interior Secretary Ken Salazar announced at his budget briefing on February 1, 2010, that by the end of 2011, he intends to increase the employment of youth (15 to 25 years of age) involved in the Department's conservation mission by 50%. As part of that effort, the budget proposes to more than double funding for youth internships to introduce high school and college-aged young people to career opportunities in natural and cultural resources management.

The increase, from $5 million to $10.8 million, would enable 27 parks to develop or expand educational and hiring programs, including programs aimed at attracting historically underserved populations to the National Park System. Members of the Committee have sponsored authorizing legislation for such a youth initiative.

Historic preservation

The budget proposes to eliminate two pass-through grant programs, Save America's Treasures (-$25 million) and Preserve America (-$4.6 million). The budget also proposes to eliminate all statutory or contractual aid (currently totaling $5.9 million) to various historic sites. This program provides planning, development, or operational assistance to natural, historical, cultural or recreation areas that are not managed by the National Park Service. These proposed reductions to pass-through funding for historic preservation are unfortunate and should be enacted only if matched by an increase in the National Park Service's own budget for preservation of historic and cultural resources.

National Heritage Areas

The budget request proposes to halve funding for national heritage areas, from $16.8 million to $8.0 million for FY 2011. Such a reduction would be short-sighted. The Heritage Area program has proven enormously popular and, in most cases, successful in protecting, preserving and interpreting historic and cultural resources that, while they may not qualify for inclusion in the National Park System, are significant nonetheless. Recent studies have documented that each federal dollar invested in a National Heritage

Area generates many multiples in private funding – a return on investment not achieved by many other federal expenditures.

Maintenance

The National Park Service has for years faced a backlog of maintenance for park facilities. That backlog is now estimated by the National Parks Conservation Association at more than $9 billion -- twice what it was a decade ago. This budget request includes $701 million for facility operations and maintenance, which is essentially level funding.

In addition, the reduction of $44.5 million (to $195.2 million) in line item construction and maintenance means less funding to repair sewer systems, address asbestos and mold hazards and other safety needs, rehabilitate historic buildings, and remove dangerous debris, thus adding to the long-term maintenance backlog.

Forest Service

Congress established the Forest Service as an agency within the U.S. Department of Agriculture in 1905. The Forest Service manages 193 million acres of national forests and grasslands in 44 states, Puerto Rico and the Virgin Islands. These lands comprise 8.5% of the land mass of the United States, an area approximately the size of Texas. The Forest Service expects to employ 35,716 full time equivalent employees in the coming fiscal year. The National Forest System received approximately 187 million recreational visits in 2009. The FY 2011 Forest Service budget request totals $5.38 billion in discretionary appropriations, a $23 million program increase over FY 2010 enacted levels.

Wildland Fire Management

The President's Budget for FY2011 takes a three-tiered approach to wildland fire activities on public lands; dividing funding among normal, appropriated suppression activities, the FLAME Wildfire Suppression Reserve Fund, and the Presidential Wildland Fire Contingency Reserve. For the Forest Service, the three tiers taken together would fund the 10-year average with a total of $1.5 billion. The Department of the Interior ~~has~~ would receive a proposed $139 million for suppression activities.

In order to address the accounting issues that arise from responding to large wildland fires, each tier of funding requires that a different set of criteria be met. The suppression accounts are proposed as the first tier of funds. The second tier, the FLAME Wildfire Suppression Reserve Fund, requires that the relevant Secretary make a declaration, which can happen if a fire is larger than 300 acres in size or the Secretary determines the fire requires an emergency federal response. Lastly, the Presidential Wildland Contingency Reserve requires a Presidential Finding before the funds are released. Specifically with regard to the Forest Service, the Administration expects that this approach will stop the agency from being forced to transfer funds from non-fire

accounts into fire suppression. In the past, these transfers have significantly disrupted other agency programs.

Creation of separate funding streams available for extraordinary, wildfire events is consistent with legislation developed by this Committee and is an important step in restoring the Forest Service's ability to fund the other aspects of its mission.

Integrated Resource Restoration

The largest change in the President's FY 2011 Budget for the Forest Service comes in the form of a new National Forest System budget line item: Integrated Resource Restoration. The new category combines three previous line items: Wildlife and Fisheries Habitat Management, Forest Products, and Vegetation and Watershed Management. In addition, the Collaborative Forest Landscape Restoration Fund and a new Priority Watershed and Job Stabilization Initiative have been included. The FY 2011 budget proposes $694 million for the newly structured budget line item.

The goal of this new budget line item is to accomplish landscape-scale restoration work by using collaborative tools, such as stewardship contracting. This approach would mean a single project could include timber sales, hazardous fuels reductions, and fish barrier removals, among other possible components. The Forest Service believes that the ability to combine types of work in order to address the restoration needs of large landscapes will give them more administrative efficiency and allow them to simplify and standardize contracting requirements.

Capital Improvement & Maintenance

The Capital Improvement and Maintenance section of the FY 2011 proposed budget includes $438 million, which is a 22% decrease from FY 2010 enacted levels. This proposal includes no funding for building new roads or upgrading current roads, which means the Roads budget line item request is $164 million, a 31% decrease from FY 2010 enacted levels. Instead, the Forest Service says it will focus its roads funding on maintenance of the existing transportation system. However, the budget line items necessary for maintaining and decommissioning roads have also been proposed for cuts. For example, the Legacy Roads and Trails program has a proposed 44% decrease in funding from FY 2010 enacted levels.

Bureau of Land Management

The Bureau of Land Management (BLM) manages 262 million surface acres and approximately 700 million acres of subsurface minerals, predominantly located in 11 contiguous western states and Alaska. These lands make up about 13% of the land mass of the United States and about 40% of the land managed by the federal government.

In 2011, it is estimated that 57 million people will visit BLM lands. Public lands will generate $4.5 billion in revenues in FY 2011. The Administration is requesting a

total of $1.1 billion for the BLM. While this is an increase of $8 million over the FY 2010 enacted levels, it continues the trend of relatively level funding over the past several years.

The FY2011 budget increases funding to cultural resources programs and wilderness management, while emphasizing conservation through investment in the National Landscape Conservation System and the Land and Water Conservation Fund (LWCF). However, there are substantial reductions proposed for the BLM's natural resource management programs, transportation and maintenance programs, and most notably, there are across the board cuts to the base operations of the BLM.

The National Landscape Conservation System and Treasured Landscape Initiative

The National Landscape Conservation System (NLCS) consists of 27 million acres of BLM's most scenic and valuable areas conserved for their unique natural, cultural or scientific significance. The Omnibus Public Lands Management Act (P.L. 111-11) codified the system and added nearly 928,000 acres of wilderness, one national monument, four national conservation areas, 367 miles of wild and scenic rivers, and 40 miles of national scenic and historic trails.

The FY 2011 budget proposes to increase funding for the NLCS by $1.3 million, including $216,000 for the NLCS specifically, with another $1.1 million for the Wilderness Management program. The Wilderness Management funds will go to the management of many of the new areas designated in P.L. 111-11.

As part of the Treasured Landscape initiative, the BLM's LWCF account includes $83.7 million for land acquisition, an increase of $54 million above the 2010 enacted level. However the budget does call for the end of the Challenge Cost Share program – a program that allows volunteers and researchers to leverage scarce dollars with a BLM matching grant to engage in research, restoration and other important activities within the NLCS.

Energy Development

Renewable energy opportunities will play a growing role in BLM resource development in FY 2011. The administration's proposal adds $3 million to the Land and Realty Management program, allowing for National Environmental Policy Act groundwork on potential energy zones for wind and solar power. This will allow the BLM to fast track permits when new renewable energy zones are authorized.

However, even with this increased focus on renewables, nearly 85% of BLM's energy budget continues to be directed toward conventional energy extraction and compliance costs. In an effort to increase overall oil and gas production, BLM proposes to use fees to compel energy companies to take steps to develop existing leases which remain idle. The BLM further assumes that proposed cost-recovery fees on oil and gas well inspections will offset a $10 million reduction in base funding for the BLM.

WATER AND POWER

Bureau of Reclamation

The Bureau of Reclamation (Reclamation) was established in 1902 and is responsible for the development of federal water supply and power generation facilities in 17 western states. Reclamation is the largest supplier and manager of water in the West with 476 dams and 348 reservoirs, which have a combined capacity to store 245 million acre feet of water. Reclamation provides water to customers for irrigation, municipal and industrial use, and rural water supply use. This water serves more than 31 million people and irrigates over 10 million acres of land which produce 60% of the nation's vegetables and 25% of the fruit and nut products consumed. Reclamation is the nation's second largest producer of hydroelectric power, generating 44 billion kilowatt hours of energy each year from 58 power plants.

Budget Overview

Reclamation's FY 2011 budget request is $1.18 billion. A majority of the $1.18 billion funding request – $914 million – is for the Water and Related Resources program. The Water and Related Resources category is separated into five major program activities. In addition to their historic mission programs, there are new Secretarial Initiatives, including the WaterSMART Program and Climate Change Adaptation.

The Committee supports the Secretarial WaterSMART initiative, but is concerned about how the Reclamation budget request reflects upon its mission priorities and its overall commitment to water management and conservation. The Committee also would like to see an increase in overall funding for the Bureau of Reclamation.

WaterSMART Program

The WaterSMART (Sustain and Manage America's Resources for Tomorrow) program is a repackaging of the former Administration's Water 2025 initiative. The Administration has requested funds for this program equal to $62 million. The WaterSMART program concentrates on expanding and stretching the limited water supplies in the West. Three primary components are funded under this program: water grants ($27 million); basin studies ($6 million); and the Title XVI Water Reclamation and Reuse Program ($29 million). Reclamation proposes to coordinate competitive grants for water marketing and conservation projects, basin-wide planning studies to identify the water related impacts of climate change, identify potential adaptation measures, and address comprehensive water supply and demand in the West.

Of continuing concern to the Committee is the approach that Reclamation has taken to the Title XVI program. Since its authorization in 1992, Title XVI has provided local water districts and areas with the opportunity to develop and stretch local water

supplies. Currently, there is a $650 million backlog of Title XVI projects that have been authorized by Congress but have yet to be funded. The Committee is pleased to see the FY 2011 proposal for $29 million, but is concerned that it does little to address the backlog of projects. The Committee believes that Reclamation needs to identify a process to review the backlog of projects and determine the viability of those projects and whether they still deserve to remain on the authorized list. Secondly, the Committee believes that the Title XVI program provides a viable approach to develop water resources on a faster time line than traditional Reclamation water development projects. To address the immediate drought concerns in the West, the Committee believes that a substantial increase to this program is necessary.

Funding for Indian Water Rights Settlements

Comprehensive Indian water rights settlements allow for water supply certainty through the resolution of certain water claims between tribal and non-tribal parties. One of the most common impediments to water rights settlements is securing sufficient funds to implement settlement agreements. With the passage of P.L. 111-11, Congress has approved a total of 23 Indian water rights settlements.

The Committee strongly supports the increase in funding for a variety of water-related activities to support tribal nations. Specifically, the Committee is pleased to see an increase of $1.2 million, for a total of $7.5 million for the Native American Affairs Program. This program funds Reclamation activities for the negotiation or implementation of Indian water rights settlements. The Committee also supports the funding of five enacted Indian water rights settlements, for a total of $44 million dollars.

Like the Administration, the Committee supports the resolution of Indian water rights claims through negotiated settlements. The Committee supports the Department in empowering tribal nations through these funding activities, and hopes this continues to be a priority in the future.

Science, Technology and Research

The FY 2011 budget request is for $11.5 million for climate change and management of invasive mussels in the West. Key program areas include: water delivery reliability; improving infrastructure reliability and safety; improving water operations decision-making support; and, advancing water supply and efficiency solutions. Desalinization and water purification research program funding for FY 2011 is $3.7 million and will be expended primarily on agreements with academic researchers at Alamogordo, New Mexico.

The Committee strongly supports that the science and research program be continued in the areas of desalination, invasive species and integration with the Secretary of the Interior's climate center initiative. Climate change will directly affect hydrology. A more active effort should be made to integrate Reclamation's research results with those of other agencies and user groups.

Bureau-wide Programs

The FY 2011 budget identifies 22 programs and activities that cross-cut across the Reclamation program. The five Regional Offices coordinate their activities with the Commissioner's Office and the Denver Technical Service Center. The Denver Office operates as a fee-for-service entity, but it is unclear how the various functions that the Denver Office performs (sedimentation, environmental services, remote sensing, planning, hydrology, and power) are supported. As such, the Denver Office needs to provide a better justification of how its operations are supported.

California Restoration Efforts

The FY 2011 budget includes four major areas of environmental restoration: California Bay-Delta Restoration; San Joaquin River Restoration; Trinity River Restoration; and Klamath Basin Restoration. The California Bay-Delta program request is for $171.7 million for operating, managing and improving California's Central Valley Project (CVP). The San Joaquin River Restoration Settlement request of $72.1 million is for restoring river channels and mitigating third-party impacts associated with restoration flows. A $1 million allocation from the CVP Restoration Fund and a request of $16.7 million from Water and Related Resources is included for the Trinity River Restoration program for the development of a comprehensive monitoring and adaptive management program. The Klamath project request is for $22.5 million and includes funds for studies and initiatives related to improving water supplies, water quality, and a basin-wide recovery plan. Reclamation has also included a request of $5 million to assess the costs and benefits of removing the four dams on the Klamath River. The Committee strongly supports restoration activities in which Reclamation is engaged for the purpose of operating water projects to achieve the co-equal goals of delivering water and maintaining healthy ecosystems.

Permanent Appropriations

Reclamation has permanent authority to fund certain activities, and it estimates it will use $167 million in mandatory budget authority in FY 2011. The Committee intends to exercise greater oversight over the use of mandatory funds by Reclamation.

Policy and Administration

The FY 2011 budget request for Policy and Administration is $61.2 million. This budget element finances all of Reclamation's centralized management functions. Management of Reclamation's water resource activities in the 17 western states is carried out by five regional offices, the Commissioner's office in Washington, D.C., and the Denver Technical Service Center. The Committee is interested in exploring the way that Reclamation is implementing the Management for Excellence Program and the recommendations from the National Research Council regarding Reclamation organization and activities.

USGS Water Resources Investigations Division

Since 1879, the U.S. Geological Survey (USGS) has been involved in issues related to water availability, water quality, and flood hazards. This work includes: collection, management, and dissemination of hydrologic data; analysis and modeling of hydrologic systems; and research and development to investigate new water management methods and to increase our overall understanding of water resources.

The President's budget request for the USGS's Water Resources Investigations for FY 2011 is $228.8 million, a decrease of $3.5 million. Part of this decrease is a result of the USGS's efforts at internal reductions to increase efficiency and returning more than $11.5 million to the general funds of the Department of the Interior and the Bureau of Reclamation. At the same time, several earmarked projects have lapsed, resulting in a net decrease in funding to the water program. As a result, the FY 2011 budget request for the USGS Water Resources Investigations proposes several important changes.

The Committee is encouraged to see an increase in funding to the USGS portion of the WaterSMART program. At a time when climate variability is impacting the rate and timing of water supply throughout the nation, good data and research are needed to inform water management decisions that need to be made in order to adjust to the earth's dynamic water system. While the Committee is pleased to see an increase in funding for this program, the Committee is also concerned that there is the potential for a loss of data by diverting funds to the WaterSMART program to fund new projects. We hope that the increase for the WaterSMART program within USGS does not negatively affect the budgets for the Service's historic mission programs, like the National Streamflow Information Program.

Hydrologic Monitoring, Assessments and Research

Hydrologic Monitoring includes the collection and distribution of water data that is vital in supporting best water management practices. The Administration has requested $158.7 million for Hydrologic Monitoring, Assessments, and Research, which is a decrease of $1.5 million. There is also a proposed decrease of $578,000 to the National Streamflow Information Program (NSIP), which provides streamflow information to help protect life and property from floods and to manage our water resources and aquatic environment. This decrease also could affect the operation and maintenance of stream gages, which are critical to our ability to predict the effects of climate change on water supplies. As science has become essential to the debate surrounding the best uses of scarce water resources, the Committee encourages the Administration to fully fund Hydrologic Monitoring operations to help water managers make the best decisions possible.

The USGS Cooperative Water Program is an ongoing partnership between the USGS and non-federal agencies. The program has been in existence for more than 100 years, jointly funding water resources investigation projects in every state, Puerto Rico,

and several other U.S. territories. The Administration has requested $63.6 million for the Cooperative Water Program, which is a decrease of $1.96 million and is below the FY 2009 enacted amount of $64.1 million. This is a highly cost-effective program, relying on more than 1,400 partners across the country for most of the financial support. The program is successful only because cooperators have increased their share of project funding. The USGS share of this program is grossly underfunded, and the Committee strongly recommends that funds be restored to an adequate level.

Power Marketing Administrations, Department of Energy

The federal Power Marketing Administrations (PMAs) were created to market and deliver electricity generated mainly at federal dams owned by the Bureau of Reclamation and the U.S. Army Corps of Engineers. A portion of the hydropower generated at federal facilities, particularly in the western United States, is used to operate irrigation pumps. Any excess power is sold to preference customers, which are mainly non-profit rural electric cooperatives, public utility districts, municipalities, and irrigation districts.

Preference power is sold at cost-of-service based rates, which are designed to repay a share of the federal capital investment in federal electricity generation and transmission facilities, the annual operation and maintenance of such facilities, and federal staffing. Cost-of-service based rates also include the costs of replacement power that the PMAs purchase to cover lost hydropower generation resulting from environmental mandates and drought.

The four PMAs under the Committee's jurisdiction are the Bonneville Power Administration (BPA), the Western Area Power Administration (WAPA), the Southwestern Power Administration (SWPA), and the Southeastern Power Administration (SEPA). While the Administration has not proposed any new authorities for the PMAs in its Fiscal Year 2011 budget request, recent initiatives enacted by the Congress gave the PMAs new authorities to carry out work that the Committee strongly supports.

Borrowing Authority

The American Recovery and Reinvestment Act of 2009 (Stimulus Act) provided both BPA and WAPA with $3.25 billion in borrowing authority. The Committee supports the use of borrowing authority by BPA and WAPA for the unique responsibilities of each agency.

The Bonneville Power Administration serves power customers in the Pacific Northwest. It provides roughly 35% of the region's power and owns 75% of the region's high-voltage transmission. BPA is the electricity balancing authority in the region and it is statutorily required to meet the load growth of its customers should they so choose.

BPA has had borrowing authority since 1974. BPA uses revenues from power customers and its borrowing authority to completely fund all of its activities. In addition to delivering hydropower to customers from the federal Columbia River Power System, BPA has programs to: protect, mitigate, and enhance wildlife in the Columbia River Basin; to encourage energy conservation and efficiency; and, to develop renewable energy resources.

The vast expansion of wind and other renewable energy resources in the Pacific Northwest requires tremendous investment in high-voltage transmission. BPA acknowledged that it faced substantial financial constraints in trying to accommodate new wind power prior to the enactment of the Stimulus Act. Since that enactment, BPA has announced the build-out of one transmission project and is in the advanced stages of planning three more. BPA testified to the Committee in March 2009 that those projects would not have been possible within the timeframe needed without additional borrowing authority. The Committee strongly commends BPA's aggressive financing of new transmission to support renewable energy expansion in the Pacific Northwest, as well as its continued expenditure of funds to protect fish and wildlife and conserve energy.

The Western Area Power Administration serves power customers in 15 Western states. With ownership of more than 17,000 miles of high-voltage transmission and customers in a service area of 1.3 million square miles, WAPA is the largest PMA. Prior to the enactment of the Stimulus Act, WAPA's sole mission was to deliver federal hydropower to its customers across the West.

In the Stimulus Act, WAPA received $3.25 billion in borrowing authority to fund a new mission for the agency – to construct green transmission lines to help facilitate the expansion of renewable energy resources within its service territory. One of the major impediments to the expansion of renewable energy resources is the lack of high-voltage transmission located in the remote Western areas where the best renewable energy generation potential exists. Even if transmission lines in these remote areas are acceptable environmentally, frozen credit markets continue to greatly limit financing to build what can be multi-billion dollar transmission projects.

Since the enactment of its new borrowing authority program, WAPA already has announced funding for one transmission project that runs from a terminus in Montana to Alberta, Canada. The line is expected to facilitate the generation and transmission of hundreds of megawatts of wind power in Montana. The Committee lauds WAPA's effort to finance green transmission projects that will tap into the West's abundance of renewable energy resources while creating badly-needed jobs in rural Western economies.

Net-Zero Budget Authority

WAPA, SWPA, and SEPA have to rely on the appropriation of discretionary funds to finance their operation and maintenance programs. Prior to 2010, the agencies collected power revenues from customers, which were classified on the mandatory side

of the budget, but only were able to expend discretionary funds provided in annual appropriations acts. At times, this resulted in customer groups paying substantial amounts of money to the three PMAs for major maintenance projects within their service territories only to see those funds not be appropriated in a timely manner, if at all, because the Committees on Appropriations must balance competing demands for limited funds.

The Energy and Water Development and Related Agencies Appropriations Act, 2010 reclassified mandatory revenues collected by WAPA, SWPA, and SEPA associated with annual expenses as discretionary offsetting collections. Therefore, some power revenues collected from customers now count as a credit against discretionary funding. If WAPA, SWPA, and SEPA funding requirements for operation and maintenance are equal to or less than the offsetting collections they receive from customers, they do not need to seek additional appropriated dollars from the Committees on Appropriations (funding for capital projects still require net-positive appropriations). In theory, customer groups that pay money to the three PMAs for large maintenance costs are now more certain to have those funds expended on the projects they wish to fund in a timely and efficient manner.

The Committee supports net-zero discretionary funding for the operation and maintenance activities of WAPA, SWPA, and SEPA, subject to the oversight of this Committee as well as the oversight of the Committees on Appropriations. The Committee strongly believes that WAPA, SWPA, and SEPA need to continue to engage with their customer groups, as appropriate, when making programmatic and budgetary decisions given the new funding flexibility provided by net-zero budget authority.

ENERGY AND MINERAL RESOURCES

The President's Fiscal Year 2011 Budget Proposal for the energy and mineral resources programs embodies several key Democratic Majority goals for America: jobs, transparency and accountability. By realigning fiscal resources within the Bureau of Land Management (BLM), Minerals Management Service (MMS), the Office of Surface Mining Reclamation and Enforcement (OSMRE), and the U. S. Geological Survey (USGS), the President's budget will:

- create new jobs in the renewable energy sector by prioritizing green energy development;
- move us forward by expanding efforts in climate science and carbon sequestration; and
- maintain the Nation's preeminence in fossil fuel production while implementing necessary reforms in the conventional energy programs.

Oil and Gas

The Committee supports the Administration's adoption in the budget of a number of Committee proposals from the 110th Congress and H.R. 3534, the Consolidated Land, Energy, and Aquatic Resources (CLEAR) Act of 2009, including the creation of a diligent-development fee on non-producing oil and gas leases, reforming the royalty system to increase the return from oil and gas production on federal lands, advancing marine spatial planning efforts in our nation's oceans, and eliminating unnecessary royalty relief for oil and gas companies for offshore leases. Clearly, with mineral receipts totaling more than $34 billion in FY 2008 and 2009, it is imperative that the Administration ensure that mineral development of the public lands is conducted in the manner that best serves the public.

In particular, the Committee supports the Administration's decision to include new diligent development provisions in certain leases as part of the upcoming sale in the Central Gulf of Mexico planning area in the Outer Continental Shelf (OCS). By requiring lessees to drill wells as a condition of getting the final three years on the initial terms of their leases, the Administration recognizes how deepwater drilling technology has sufficiently advanced to the point that shorter lease terms are feasible, and also provides an additional incentive for companies to diligently develop their leases.

The OCS is responsible for producing nearly 15% of the nation's domestically produced gas and over a quarter of our domestically produced oil. In FY 2009, oil and gas activities on the OCS brought in nearly $6 billion in bonus bids, rentals, and royalties. As a major source of energy and revenue for the United States, the Administration's steps to ensure greater transparency and accountability are to be commended. The Administration's termination of the scandal-plagued Royalty In Kind program is a huge step towards ensuring that royalties are collected fairly and consistently from every leaseholder, and the Committee supports the proposed increases in the budget necessary to provide for the return to taking all royalties in value. The Committee also strongly supports the proposed increases in auditing and compliance work, which are essential for ensuring that the American people receive their fair share for the use of their natural resources.

Historically, the Bureau of Land Management and the Minerals Management Service, the federal agencies tasked with tracking and collection of these revenues, have not performed in an adequate or transparent manner. As evidenced by a series of independent assessments undertaken at the insistence of this Committee, there has been gross malfeasance in the federal oil and gas program. As former Interior Department Inspector General Earl Devaney said in 2008, "Short of a crime, anything goes at the Department of the Interior." Sadly, as the Committee learned from a series of reports issued over the past several years, Interior employees did not stop short of committing crimes. Therefore, the Committee applauds the new sense of urgency and commitment the Administration has demonstrated towards reform of the federal royalty program.

As the federal oil and gas program directly benefits operators wishing to extract oil and natural gas from public lands, the Committee believes it is appropriate to require

those operators to pay a fair share of the costs of running that program. The Committee therefore supports the proposal to initiate inspection fees for onshore oil and gas operators and to raise the existing fees on offshore operators.

Additionally, the Committee believes the Administration needs to continue to work cooperatively to assess the strengths and weaknesses of federal onshore energy program management, organization, and policies. There are many shortcomings in this program which have been raised in various forums, including:

- the need to ensure diligent development, improve royalty collection accuracy, and make sure that the American people get a fair return for production of their oil and gas resources;

- the need to address shortcomings in the Bureau of Land Management's reclamation bond requirements for oil and gas operators;

- needed improvements in energy development, particularly coordination and planning between federal officials and policies and state and local officials to facilitate leasing while also protecting wildlife corridors and crucial habitat; and

- the need to address concerns that resource management plans and leasing decisions are increasingly inconsistent with agency stewardship requirements.

Alternative Energy On-shore and Off-shore

The Committee commends the Administration for its decision to provide a nearly 25% increase for renewable energy as part of its New Energy Frontier initiative, which will help complete environmental evaluations and technical studies needed to spur development of renewable energy projects, assess available alternative resources, and mitigate the impacts of development. For too long, the Department of the Interior's focus and resources have been concentrated on oil and gas, with development of alternative energy relegated to the back of the line.

There is a growing body of laws and regulations governing renewable energy project siting and development. The Committee understands and supports the Bureau of Land Management's effort to prepare a Programmatic Environmental Impact Statement (PEIS) to determine where large-scale deployment of solar power is compatible with other land management goals. The Committee is concerned about backlog of nearly 130 solar applications pending before the Bureau of Land Management, but is encouraged that the Department of the Interior is planning to approve permits for 13 of these before the end of 2010. The Committee also supports the Administration's efforts to encourage geothermal energy development on public lands. The Committee was pleased by last year's issuance of final regulations for permitting renewable energy on the OCS, and encourages the Department's efforts to move forward in conjunction with states to advance offshore renewable energy in an environmentally sound manner. The

Administration's commitment to marine spatial planning is also in line with Committee priorities.

In general, the Committee supports the Administration's commitment to facilitate development of clean, renewable resources in the most appropriate places on public lands and waters, consistent with other land management responsibilities, and in light of the potential to create jobs and a low-carbon economy.

Unconventional Fuels: Oil Shale and Tar Sands Leasing

The Committee commends Secretary Salazar for his actions to pursue an informed path and measured pace with regard to oil shale development in Colorado, Utah, and Wyoming. Appropriately, the Interior Department recently solicited a second round of oil shale Research, Demonstration, and Development (RD&D) leases, but with diligent development milestones and requirements that applications include plans to conserve water and limit carbon dioxide emissions, unlike the first round of leases offered in 2007. Such information is essential to help answer key questions about the viability and impacts of oil shale production on a commercial scale. The Committee also supports the allocation of resources necessary to conduct a thorough review by the DOI's Inspector General of the circumstances surrounding the lease addenda which the previous Administration offered just days before leaving office to the energy companies that held the first six RD&D leases—addenda that would lock in low royalty rates, among other advantages.

Carbon Sequestration

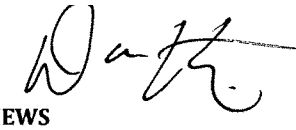
Coal plays a major role in meeting U.S. energy needs, and will continue to do so in coming decades. Carbon Capture and Sequestration (CCS) is the key enabling technology to ensuring that the U.S. continues to take advantage of our vast domestic resources of coal without contributing to greenhouse gas emissions. CCS entails injecting carbon dioxide underground in ultra-deep geological reservoirs. The U.S. has the geological capacity to store carbon emissions in depleted oil and gas reservoirs for several decades. Capacity in other geological reservoirs is estimated to be in the hundreds of billions of tons, enough to store current levels of domestic emissions for more than 300 years. The technology is still under development, but many experts are optimistic about its advancement. The Committee believes the Administration must continue to ensure there are adequate resources applied to advancing carbon sequestration on public lands and ensuring this technology is safely developed and disseminated, and in particular, that the Administration ensures full implementation of Section 714 of the Energy Independence and Security Act of 2007, which was drafted by this Committee to develop a recommended framework for managing geological sequestration on public lands.

1872 Mining Law

The Committee notes that the budget continues to exclude a call for comprehensive legislation to reform the nation's mining law and bring the nation's hardrock minerals policy into the 21st century. Unlike nearly every other country in the world, the 1872 Mining Law conveys rather than leases hardrock minerals on public lands and development occurs on a claim without a production royalty paid to the federal government. Provisions to establish a 8% gross income royalty on new mining on public lands and a 4% royalty on mining from current operations, as well as increased location and claim maintenance fees, are included in H.R. 699, which is currently under consideration by this Committee and nearly identical to a bill (H.R. 2262) which passed the House in October 2007 on a strong bi-partisan vote. CBO projected that these provisions would increase revenues by $160 million in the first five years after enactment—a 2007 calculation based substantially on mineral prices, such as gold, at about $600 an ounce; gold prices have since ranged well over $1,000 an ounce. The Committee emphasizes that securing a fair return from hardrock mining on public lands is essential, in particular to fund the reclamation of hundreds of thousands of abandoned hardrock mines. Reclamation funding, in turn, creates jobs.

Office of Surface Mining, Reclamation, and Enforcement

The committee is concerned about proposed cuts within the Office of Surface Mining, Reclamation, and Enforcement (OSM). Reductions of 15% (below FY 2010 funding) for State and Tribal Regulatory grants, and the phase-out of funding for state emergency programs, come at a time when many states face difficult choices to either cover coal program costs with other state funds or to reduce their oversight and inspection efforts in the face of growing demands. Many states express concern that they already maintain lean regulatory programs, even as their grant funding is decreasing and costs are rising for salaries, benefits, and travel. As OSM has noted in past budget justifications, the state regulation of coal production continues to be a cost-efficient means for the federal government relative to what it would cost for the federal government to run these programs; however, state programs must be adequately funded and staffed to insure that permitting and inspections are thorough and timely.



ADDITIONAL AND DISSENTING VIEWS
OF THE HONORABLE DOC HASTINGS
RANKING REPUBLICAN
COMMITTEE ON NATURAL RESOURCES

VIEWS AND ESTIMATES FOR FY2011 FEDERAL BUDGET

American-made Energy

The Obama Administration's budget seeks to establish a dangerous national energy policy that will increase energy costs for American families and businesses, hinder American energy production and send American jobs overseas. It is a recipe for economic decline and continued dependence on foreign energy sources.

The budget includes nearly $40 billion in direct tax and fee increases on the American oil, natural gas and coal industries. Our policies should promote American energy production – not erect roadblocks, bureaucratic regulations and new fees that will stifle business and cost jobs.

Each year of delay in establishing a new five-year lease plan for the Outer Continental Shelf (OCS) will cost the federal government hundreds of millions of dollars in lost revenue. The President's budget shows revenues from OCS bonuses decreasing from $1.5 billion in FY 2009 to only $413 million in 2015; this is down from an FY 2008 high of $8.5 billion. This decline in revenue can be reversed by implementing a new five-year plan that begins in 2010 and offering leases in new areas not previously explored. The decline in revenue also clearly reveals that the Administration has no intentions of opening additional offshore areas to energy production and new job creation, despite the strong public demand that continues in this country for American-made energy production after experiencing the 2008 summer of $4-per-gallon gasoline.

The President's budget also eliminates the profitable royalty in-kind (RIK) program for collecting oil and gas royalties, even though the program generated over $106 million in benefits for the American taxpayer in 2008. The elimination of the RIK program will not only cost the federal government increased revenues, but it will cost the government an additional $10 million for MMS to maintain the same level of royalty accounting. As our nation faces a $1.4 trillion deficit, it is absurd that the Interior Department would proactively choose to end a program that actually makes the federal government money.

Finally, the Administration is preventing Native Americans from developing oil, gas and coal resources on Indian lands. The Environmental Protection Agency ordered the cancellation of a permit for a Navajo Nation power plant, the Department of Interior has stopped a permit for a coal mine on Navajo and Hopi lands, and the Bureau of Indian Affairs has opposed acquiring land in trust to facilitate development of an energy refinery in North Dakota. These actions have denied Native Americans high-wage jobs, investment opportunities and royalty income.

National Energy Tax

The President's budget includes a hidden cap-and-trade national energy tax, which CBO estimates would increase taxes by $870 billion. Enactment of a national energy tax would cripple our economy, skyrocket energy prices, close businesses and destroy American jobs.

Natural resources laws, such as the National Environmental Policy Act, are not designed to regulate carbon emissions and Republicans will strongly oppose any backdoor attempt to establish a national energy tax. Using national resource legislation as a means to restrict economic activities is a destructive maneuver that will have far-reaching implications and put our entire economy at risk.

Land Acquisition Spending Increases at a time of Record Deficits

At a time when one year's (2009) worth of spending by the Democrat Congress and the new President has led to record budget deficits, it is absolutely critical that the government control spending and start setting priorities. The federal government must do what families do when facing tough times by distinguishing between the "wants and would-be-nice-to-haves" and "essential priorities and basic needs." As part of this setting of priorities, the federal government must recognize that ever increasing government land acquisition is not a necessity that requires record spending and skyrocketing deficits. In these tough economic and budget times, land acquisition should be scaled back if not reduced to near zero until the budget is balanced. At a bare minimum, the federal government should put a freeze on land acquisition spending. The President's budget not only increases land acquisition spending, it proposes to spend more in agency after agency for a massive increase of over $170 million. Under this budget, $608 million would be spent to buy more federal land at a time when agencies can't even afford to care for the land the government already owns. The backlog on caring for existing lands and treasures in the National Park Service is $9 billion dollars.

The specific increases in the President's budget include:

- **National Park Service** - $30 million increase ($156 million total)
- **Forest Service** - $10.2 million increase ($74 million total)
- **Bureau of Land Management** - $96.5 million increase - this includes $42.5 million for land acquisition for wild horses and burros ($125.5 million total)
- **Fish & Wildlife** – $29 million increase ($185 million total)
- **Coastal & Estuarine Land Conservation** - $5 million increase ($25 million total)

In addition to spending money that the government doesn't have and exacerbating the billions of dollars in backlogged maintenance on existing lands, further government land acquisition threatens private property, destroys jobs and locks-up land from economic development, energy production, farming, ranching and recreational opportunities. It also takes away valuable tax revenue from local and state governments.

California Water Crisis

The President's budget does not include a solution to the San Joaquin Valley water crisis. The Department of the Interior's budget provides over $40 million to buy land for wild horse and burros, yet does nothing to help the tens of thousands of people suffering from unemployment due to a man-made California drought. This Administration is engaging in a "death by a thousand cuts" strategy on California agriculture. Immediate relief must be provided to the farmers, farm workers and local communities by turning the pumps on to normal levels.

Forest Service

The Forest Service's budget includes a 31 percent decrease for "Roads," a 44 percent decrease for "Legacy Roads and Trails", and level funding for "Maintenance." These funding levels show that the Administration is taking a backdoor approach of creating new "roadless" areas they can lock up even though they do not truly meet the criteria. This will make it harder for forest managers to effectively do their jobs and help prevent catastrophic wildfires. It will also limit the public's access to their public lands for recreation and enjoyment.

National Oceanic and Atmospheric Administration (NOAA)

NOAA has proposed creating a new line office - the National Climate Service - that will require a reorganization including the reassignment of approximately 500 employees. This reorganization and re-prioritization of missions within the agency will have a negative effect on existing resource management missions that are already underfunded and underserved by NOAA.

While the FY2011 budget request proposes to increase NOAA's budget by $806 million dollars, $810 million will be used to fund one satellite program at a time when NOAA's satellite program has come under significant criticism. This means a real dollar decrease for other NOAA programs.

EDOLPHUS TOWNS, NEW YORK,
CHAIRMAN

PAUL E. KANJORSKI, PENNSYLVANIA
CAROLYN B. MALONEY, NEW YORK
ELIJAH E. CUMMINGS, MARYLAND
DENNIS J. KUCINICH, OHIO
JOHN F. TIERNEY, MASSACHUSETTS
WM. LACY CLAY, MISSOURI
DIANE E. WATSON, CALIFORNIA
STEPHEN F. LYNCH, MASSACHUSETTS
JIM COOPER, TENNESSEE
GERALD E. CONNOLLY, VIRGINIA
MIKE QUIGLEY, ILLINOIS
MARCY KAPTUR, OHIO
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
PATRICK J. KENNEDY, RHODE ISLAND
DANNY K. DAVIS, ILLINOIS
CHRIS VAN HOLLEN, MARYLAND
HENRY CUELLAR, TEXAS
PAUL W. HODES, NEW HAMPSHIRE
CHRISTOPHER S. MURPHY, CONNECTICUT
PETER WELCH, VERMONT
BILL FOSTER, ILLINOIS
JACKIE SPEIER, CALIFORNIA
STEVE DRIEHAUS, OHIO
JUDY CHU, CALIFORNIA

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515–6143

MAJORITY (202) 225–5051
FACSIMILE (202) 225–4784
MINORITY (202) 225–5074

www.oversight.house.gov

DARRELL E. ISSA, CALIFORNIA,
RANKING MINORITY MEMBER

DAN BURTON, INDIANA
JOHN L. MICA, FLORIDA
MARK E. SOUDER, INDIANA
JOHN J. DUNCAN, JR., TENNESSEE
MICHAEL R. TURNER, OHIO
LYNN A. WESTMORELAND, GEORGIA
PATRICK T. MCHENRY, NORTH CAROLINA
BRIAN P. BILBRAY, CALIFORNIA
JIM JORDAN, OHIO
JEFF FLAKE, ARIZONA
JEFF FORTENBERRY, NEBRASKA
JASON CHAFFETZ, UTAH
AARON SCHOCK, ILLINOIS
BLAINE LUETKEMEYER, MISSOURI
ANH "JOSEPH" CAO, LOUISIANA

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

I am pleased to submit, pursuant to the Congressional Budget Act of 1974 and clause 4(f) of House rule X, the enclosed views and estimates of the Committee on Oversight and Government Reform for the fiscal year 2011 budget.

Please feel free to contact me if you have any questions.

Sincerely,

Edolphus Towns
Chairman

cc: The Honorable Darrell Issa
Ranking Minority Member

Views and Estimates on the Fiscal Year 2011 Budget
Committee on Oversight and Government Reform
U.S. House of Representatives

Each standing Committee of the House is required by the Congressional Budget Act of 1974 and Rule X, clause 4(f) of the Rules of the House to submit to the Committee on the Budget its views and estimates on the budget with respect to matters within its jurisdiction or functions. The following list is not exhaustive, but highlights the views of the Committee on some of the issues addressed in the President's fiscal year 2011 budget that are within the scope of the Committee's jurisdiction. Pursuant to section 425 of the fiscal year 2010 congressional budget, the Committee makes recommendations for rooting out waste, fraud, and abuse and promoting fiscal responsibility.

Transparency and Open Government

The Committee strongly supports the President's ongoing commitment to government-wide transparency, participation, and collaboration. In response to the President's January 2009 memorandum on transparency, the Director of the Office of Management and Budget (OMB) issued the Open Government Directive on December 8, 2009. The directive outlines specific actions for executive departments and agencies to take and establishes deadlines for those actions.

One action required by the Open Government Directive is the requirement to publish information online in an open format that can be downloaded and searched. The Committee strongly supports providing adequate resources to make high value data, particularly federal spending data, available to the public so that citizens may easily find and use it in meaningful ways, especially in helping to provide effective oversight.

Likewise, the Committee supports adequate funding for tools, such as the Citizen Engagement Platform, to increase and improve the government's ability to interact and collaborate with the public. However, it is also clear that success in collaborating with the public will require a re-evaluation of several government-wide rules, including implementation of the Paperwork Reduction Act and the federal policy on Web site cookies.

The Committee strongly supports the President's direction to agencies to implement the Freedom of Information Act (FOIA) with a presumption of disclosure. The Open Government Directive encourages agencies to use technology to disseminate information rather than waiting for specific FOIA requests. The Committee supports this proactive approach which will improve transparency and save agencies time and money. The Open Government Directive also requires agencies with a significant backlog of FOIA requests to take steps to reduce any such backlog by 10% each year. It is important that agencies be provided adequate resources to meet this goal.

Transparency in Rulemaking

The Committee supports the emphasis in the President's budget on transparency in the federal rulemaking process. "OMB believes that regulatory analysis should be developed and designed in a way that fits with the commitment to open government."[1] The Committee believes this transparency should include regulatory analysis by agencies as well OMB's reviews of agency rules. OMB should allow more sunshine into the rulemaking process by implementing recommendations the Government Accountability Office (GAO) made in a 2009 report on the transparency of OMB's regulatory reviews.[2] GAO made four recommendations to OMB to improve the transparency of its reviews. These include: (1) defining in guidance the types of changes made during the Office of Information and Regulatory Affairs (OIRA) reviews that need to be publicly identified, (2) instructing agencies "to clearly attribute changes 'made at the suggestion or recommendation of OIRA,'" (3) directing agencies to clearly state in final rules whether substantive changes were made as a result of OIRA's reviews, and (4) standardizing how agencies label documentation of changes to rules in public rulemaking dockets.

Improvements to Regulations.gov would also improve the transparency of the rulemaking process. Information should be searchable and should be provided in consistent formats to make the site more user-friendly.

Cloud Computing and Data Center Consolidation

The President's budget emphasizes cloud computing and data center consolidation as key elements of a new Federal IT strategy. The Committee strongly supports the goal of lowering IT infrastructure costs, reducing energy consumption, and making service more efficient and effective, but has serious concerns about the security risks that a new federal cloud computing environment poses. It is imperative that appropriate security parameters are established, well-tested, and proven effective before utilizing cloud computing for federal data. The Committee looks forward to reviewing agency data consolidation plans and the Administration's cloud computing strategy.

Cyber Security

The Committee supports the Administration's commitment to working with agencies, Inspectors General, Chief Information Officers, senior agency officials for Privacy, the Government Accountability Office, and the Congress to strengthen federal IT security. This includes adequate funding for a modern digital platform to make the Federal Information and Security Management Act reporting process more efficient, implementing new outcome-oriented security metrics, improving real time situational awareness and investing in the federal cybersecurity workforce. Accordingly, the

---

[1] *Budget of the U.S. Government, Fiscal Year 2011, Analytical Perspectives*, 98 (Feb. 2010).

[2] Government Accountability Office, *Federal Rulemaking: Improvements Needed to Monitoring and Evaluation of Rules Development as Well as to the Transparency of OMB Regulatory Reviews* (Apr. 2009)(GAO-09-205).

Committee supports fully funding the $10 million for proposed staff increases and information sharing initiatives at the National Cyber Security Center.

Contracting

Acquisition Workforce

The Committee strongly supports the President's proposal to improve the capacity and capabilities of the acquisition workforce. We support the 5% increase in acquisition workforce, as well as the investment in training and technology, which will allow agencies to acquire the goods and services they need to accomplish their missions at reduced costs, higher efficiency, and with better results.

The Committee also endorses the continued government-wide moratorium on public-private competitions for federal work under OMB Circular A-76. We believe these competitions cannot be effectively evaluated until the required head count of all contractor employees performing services for the federal government has been completed and a thorough evaluation of federal contracts and programs has taken place, in accordance with the Administration's direction. The Committee believes this finding is also in alignment with our support for the Service Contract Inventory Requirement. The Committee believes that we have to know what we have, what we are paying for it, and who is running it before we can make a decision regarding how well it is working and if we still need it.

The Committee generally supports the clarification of the authorized purposes of the Acquisition Workforce Fund. However, we do not endorse the Administration's proposal to allow the use of the funds to "promote and coordinate Government-wide research and studies to improve the procurement process and the laws, policies, methods, regulations, procedures, and forms relating to acquisition by the executive agencies."[3] This use is not appropriate for a fund for training the acquisition workforce.

Transparency in Federal Contracting

The Committee supports the President's efforts to bring increased transparency to the federal acquisition process by demanding agencies rapidly release downloadable statistics and through the launching of online dashboards which track federal procurement activities. The Committee is particularly concerned that adequate resources be devoted to ensuring effective oversight and transparency of the American Recovery and Reinvestment Act.

We believe that the public should have as much access as possible to the federal acquisition process and its results. The public has a right to know how its money is being spent, to whom it is being paid, and for what purpose.

---

[3] *Budget of the U.S. Government, Fiscal Year 2011, Appendix*, 1170 (Feb. 2010).

Department of Defense Acquisition Reform

The Committee supports the Administration's proposal to reform the Department of Defense (DoD) acquisition process. We agree that these reforms should include reducing cycle time and significant cost overruns of Major Defense Acquisition Programs, and DoD's reliance on contractors for acquisition services. Furthermore, we agree that the reforms in question should also include increases in the contract obligations that are competitively awarded, the workforce dedicated to acquisition services, and the percentage of acquisition workforce with higher levels of certification.

Concerns remain about federal contract oversight. For example, there are limited resources and minimal staff deployed to Iraq and Afghanistan to address contract management and oversight for DoD. Additionally, GAO reported that as we drawdown our forces in Iraq, more contract management and oversight will be needed to fully address waste, fraud, and abuse. The Subcommittee on National Security and Foreign Affairs will continue to monitor this situation to determine if increased staff levels and other types of reform help federal agencies address waste, fraud, and abuse in federal contracting.

Small Business Participation in Federal Contracting

The Committee endorses the proposal to increase small business participation in federal government contracting. We recognize the importance of small businesses in our national economy and support the Administration's efforts to help each federal agency reach their statutorily mandated goals, as well as their efforts to end participation by ineligible firms.

Utilization of Federal Buying Power

The Committee also supports the proposal to leverage the federal government's buying power. By pooling the government's purchasing power, the federal government can reduce administrative costs, get the best value for each tax dollar, and foster markets for sustainable technologies, products, and services.

Use of Emerging Vehicle Technology

The Committee supports the removal of limitations for funding spent on the passenger vehicles which operate on emerging motor vehicle technology, such as electric, hybrid-electric, and hydrogen fuel cell vehicles. This extension will allow the purchase and use of advanced technology vehicles which have no baseline cost, thereby, providing advances in technology, reducing the federal government's environmental impact, and positioning the vehicle fleet for eventual savings of taxpayer dollars. However, once the rate or baseline cost for such vehicles has been established, new limitations should be put in place to protect the taxpayer.

Reduction of Improper Payments to Federal Contractors

The Committee supports the Administration's efforts to reduce improper payments to contractors through initiatives such as increasing transparency through the use of online dashboards, designating a Senate-confirmed appointee to be responsible to the President for the reduction of improper payments, creating incentives to promote timely disclosure of improper payments, and launching the Partnership Fund for Program Integrity Innovation to focus on improving delivery, payment accuracy, and administrative efficiency.[4]

Real Property Disposal Reform

The Committee supports the President's proposal to require the General Services Administration (GSA) to establish a government-wide database of federal real property, provide public access to the database, and prepare an annual report to Congress on the contents of the database.[5] GAO designated federal real property management as a high-risk area in 2003, citing problems with excess and underutilized property, deteriorating facilities, unreliable real property data, and other concerns.[6] The unused or underutilized properties in the federal government's portfolio represent billions of dollars of value, and the Committee supports measures to increase the use of this property. State and local governments can often find public benefit uses for many of these properties, but agencies are often reluctant to pay the costs associated with preparing them for disposal. The FY 2011 proposal would grant GSA the authority to take control of reverted property, sell it, and pay for certain costs of reversion. It would also provide for agency retention of proceeds from the transfer or sale of real property, allowing agencies to use the funds to reimburse GSA for the costs of disposal and for activities related to federal real property capital improvements and disposal activities.

The Committee is concerned by the President's proposal to establish pilot programs that would expedite real property sales by authorizing OMB to bypass McKinney-Vento and the provisions of law authorizing other public benefit conveyances. The Committee, therefore, opposes this proposal and recommends increasing property disposals through the existing procedures established by the Federal Property and Administrative Services Act.

Bureau of the Census

The Census Bureau serves as the leading source of statistical data about the nation's population and economy. Statistics derived from the decennial United States

---

[4] *Budget of the U.S. Government, Fiscal Year 2011*, 41 (Feb. 2010).

[5] The President's budget includes a proposal to amend section 37 of the Office of Procurement Policy Act in section 517 of the administrative provisions for the General Services Administration. Budget of the U.S. Government, Fiscal Year 2011, Appendix, 16 (Feb. 2010).

[6] Government Accountability Office, Testimony of Mark L. Goldstein, Director, Physical Infrastructure, *Federal Real Property: An Update on High-Risk Issues*, 1 (July 15, 2009) (GAO-09-801T)

Census and more than 100 annual surveys guide important decisions about the distribution of governmental resources as well as congressional reapportionment. The Committee supports the $1.3 billon in proposed funding for the Census Bureau for the purpose of processing, tabulating, and releasing 2010 Census data, evaluating the census, improving the data collection methods of the American Community Survey, and beginning a continuous update of the Bureau's address data. The Committee will continue its oversight of the Census Bureau as it conducts these activities and prepares for upcoming statistical programs.

The President's 2011 budget proposes $771 million in funding for the 2010 Census. An estimated $7.6 billion was provided for the 2010 Census in FY 2010. The Committee recognizes that the proposed $6 billion reduction from FY 2010 reflects the shift the Census Bureau will make from promoting and conducting the 2010 Census to processing and releasing its findings. Ensuring that the Census Bureau has adequate resources to process, tabulate and release 2010 census data will be an important priority for the Committee.

Oversight priorities for the Committee will also include evaluations of the accuracy of the 2010 Census count and Non Response Follow-Up operation, undercounts and overcounts, the methodology of counting individuals in group quarters housing, the effectiveness of the communications campaign and partnership program, the Census Coverage Measurement program, the new short-form questionnaire, design improvements to the Economic Census and American Community Survey, and the publication of population totals for congressional apportionment. Ensuring that funding for these important efforts is expended and accounted for properly is an important oversight objective.

United States Postal Service

Postal Reimbursements

The United States Postal Service (the Postal Service) is an independent agency charged with providing customers with reliable mail service at reasonable rates. The President's FY 2011 budget proposal includes $74.9 million to reimburse the Postal Service for the statutorily mandated service of providing free mail for the blind and overseas voters in 2011. The Committee wishes to express its support for fully funding free mail services provided by the Postal Service.

The Committee also urges Congress to continue providing reimbursement to the Postal Service for costs incurred in the delivery of mail sent by nonprofits. Under the Revenue Forgone Reform Act of 1993, the Postal Service is to receive reimbursement of $29 million annually through 2035 to cover these costs. According to accounting rules, failure to fund this authorized appropriation could require the Postal Service to treat the remaining debt of nearly $700 million as being at risk for nonpayment. Congress appropriated $29 million every year from 1994 though 2010. The President's budget

proposal reflects the authorized amount of $29 million. The Committee supports fully funding the revenue forgone reimbursement.

Postal Regulatory Commission

The Postal Regulatory Commission (PRC) is an independent agency that has exercised regulatory oversight of the Postal Service since 1970. The Postal Accountability and Enhancement Act (PAEA) (P.L. 109-435) assigned new responsibilities to the PRC, including broader regulatory oversight over the pricing of Postal Service products and services, ensuring transparency and accountability at the Postal Service, and serving as a forum to act on complaints about postal products and services. The PRC is responding to a request from the Postal Service for an advisory opinion on the Postal Service's Post Office consolidation initiative and held hearings in Ohio, New York, and Washington, DC, to hear the concerns of the public.

The President proposes to fund the PRC at a level of $14.5 million in FY 2011. The Committee supports full funding of the PRC, which is necessary to allow the PRC to implement the mandates of the PAEA.

Office of the Inspector General, U.S. Postal Service

The Postal Service Office of the Inspector General (OIG) is an independent organization charged with reporting to Congress on the overall efficiency and effectiveness the Postal Service's programs and operations, as well as detecting and preventing waste, fraud, and misconduct. In addition, the OIG has issued a series of reports advising postal officials, Congress, and other policy makers about critical issues related to the strength and sustainability of the Postal Service.

Under the PAEA, the Postal Service's OIG is required to submit its fiscal year budget to OMB for inclusion in the President's budget and funding for the OIG is to be transferred from the Postal Fund, which consists of revenue generated from postal products and services. For FY 2011, the President's budget proposes $244 million for the OIG. The Committee recommends full funding for the OIG to carry out its critical mission during this period of distress for the Postal Service.

Funding of Postal Service Public Service Obligations

The President's budget proposes the continuation of certain legislative provisions related to the Postal Service's public service obligations, specifically regarding days of delivery and the maintenance of retail service in rural areas.[7] The Postal Service's public service activities are vital to the American public and its ability to carry out such obligations are a key reason the Postal Service is held in high esteem according to several public opinion surveys. The Postal Service does not receive an appropriation for such

[7] *Budget of the United States Government, Appendix*, 1313 (Feb. 2010).

activities, other than the minor reimbursements for statutorily required free mail and funds owed to it for subsidies it has provided to nonprofits, as described above.

The Postal Service projects a loss of nearly $8 billion in FY 2010, following a loss of nearly $3.8 billion in FY 2009. It has experienced a precipitous drop in mail volume, from a peak of 213 billion pieces of mail in FY 2006 to 177 billion pieces in FY 2009. Volume fell by over 25 billion pieces from FY 2008 to FY 2009 alone. These circumstances endanger the Postal Service's ability to carry out its duties to the public and continue operating in a financially sustainable manner. Given the depth of the financial crisis facing the Postal Service and the importance Congress has placed on the Postal Service's public service obligations, Congress should consider funding the public service aspects of the Postal Service's activities, particularly activities that a profit-seeking private sector firm would not choose to pursue.

Federal Workforce

Empowering Employees to Root Out Waste, Fraud and Abuse in Federal Programs

The Committee strongly supports the focus in the President's budget on eliminating waste, fraud and abuse in government programs. The budget highlights a number of important steps to eliminate wasteful practices, including strengthening efforts to reduce improper payments in major government programs, supporting the ongoing and vital work of the Special Inspector General for the Troubled Asset Relief Program (SIGTARP), and improving information technology infrastructure and practices to help create efficiencies and control spending. Overall, the budget reflects the Administration's commitment to "making the Government work better for the American people" by ridding the budget and government programs of "waste and inefficiency that bloats our deficits and squanders the taxpayers' hard earned dollars."[8]

An important tool in combating waste and fraud in government programs is ensuring that all federal workers are free to disclose inefficient or improper practices without fear of reprisal. The Committee notes that the Obama Administration is the first administration in over two decades to support stronger whistleblower protections for federal workers, and has proactively sought the views of employees on cost-cutting measures. The Committee is committed to passing H.R. 1507, the Whistleblower Protection Enhancement Act of 2009, to ensure that federal employees responsible for monitoring the financial recovery, and all other government programs, are not deterred from reporting mismanagement of taxpayer dollars. Importantly, H.R. 1507 also extends strong whistleblower protections to employees of government contractors.

Domestic Partnership Benefits and Obligations Act of 2009

The budget fact sheet on "Expanding Opportunities for the LGBT Community" expresses the Administration's support for the Domestic Partnership Benefits and

[8] *Budget of the U.S. Government, Fiscal Year 2011, Analytical Perspectives*, 327 (Feb. 2010).

Obligations Act of 2009, which would make certain employment benefits, including health care coverage, available to federal employees in same sex domestic partnerships.[9] The House version of this legislation, H.R. 2517, was favorably reported by the Committee on November 18, 2009.

In extending important employment benefits to employees in same sex domestic partnerships, H.R. 2517 is intended to provide for the equitable treatment of all employees in the civil service. As the majority of Fortune 500 companies have already recognized, providing domestic partnership benefits is both the right thing to do *and* it makes good business sense. An inclusive workplace that respects all of its employees is better able to recruit and retain the best and brightest employees. The Committee shares the Administration's support for this important legislation. However, providing these benefits will increase mandatory spending, which must be off-set to comply with PAYGO requirements. The Committee looks forward to working with the Administration to find a necessary off-set for this workforce-strengthening measure.

Improving the Federal Workforce

The Committee is responsible for ensuring that the federal workforce is performing at the highest possible level for all Americans. The Committee supports the Administration's goal of improving the federal workforce, applauds the prominent support for and attention to the nation's civil service in the President's budget, and appreciates the renewed energy and innovative thinking put toward these issues under the leadership of President Obama and Office of Personnel Management (OPM) Director John Berry.

The budget recognizes that the current federal workforce is the most highly-educated and highly-skilled in the history of the country. At the same time, the federal government faces challenges with a workforce that is comparably older than the private sector, with tens of thousands of its employees preparing to retire, even as the government looks to fill critical need positions. The Committee embraces OPM's renewed responsibility for the development and implementation of government-wide human resources policies and the Administration's focus on improving the federal hiring process. The Committee welcomes the clear commitment to employee training and development, as well as the adoption of priority goals that include improvement in the outreach to and hiring of veterans, an upgrade of retirement claims processing and systems, and an increase in the use of telework. The Committee has requested additional, detailed information on both hiring and personnel performance and management reforms, as well as on the data mining and analysis initiative for the Federal Employees Health Benefits Program (FEHBP). The Committee looks forward to working with the administration and OPM on hiring reform and other initiatives that will better prepare, equip, and train the federal workforce to meet the challenges of the 21st century.

---

[9] *Budget of the U.S. Government, Fiscal Year 2011, Expanding* Opportunities for the LGBT Community (Feb. 2010).

Federal Employee Compensation

The Committee concurs with the President's call for pay parity between civilian and military personnel. Pay parity is a long-established and bipartisan principle for federal compensation. The Committee has requested additional information on the administration's proposal to replace the existing Bureau of Labor and Statistics' Locality Pay Survey (LPS) with an alternative survey based on Occupational Employment Statistics (OES) to better understand its impact on federal employee pay.

Federal Employee Health Benefits Plan (FEHBP) and Health Care Reform

FEHBP provides health care coverage to over 8 million federal employees, retirees, and their families. While not perfect, the FEHBP for decades has been a model health care plan because it provides a range of affordable health care choices to its participants. Unfortunately, the program's costs have been increasing at an alarming rate, consistent with the rapidly-increasing costs of health insurance across the country. OPM recently announced that the 2010 FEHBP premium rates will increase by 8.8% on average. This increase is consistent with previous years. FEHBP premium payments totaled $35 billion in 2008, and the government share of those payments is 72%. Also, concerns have been raised recently regarding the escalating costs of prescription drugs under FEHBP. OPM estimates that in 2011, 26% of FEHBP expenses, approximately $11 billion, will be for prescription drugs.[10] This rise in health care costs is not sustainable for the government or for FEHBP enrollees. These numbers and costs help to reinforce the need to enact broad health care reform, with measures aimed at controlling long-term health care costs. The Committee strongly supports the Administration's efforts to lower health care costs and secure affordable health care for all Americans.

Office of Personnel Management Inspector General

The Committee is concerned with the conclusion of OPM's Office of Inspector General (OIG) that this budget "substantially inhibits the OIG in carrying out its statutory duties and responsibilities." The OIG is responsible for significant oversight duties of major government operations, including the FEHBP, the Civil Service Retirement and Disability Trust Fund (CSRDTF) and the Revolving Fund programs which alone will total $1.7 billion in FY11. Further, of note, the OIG is currently experiencing an expansion of federal background investigations casework that is essential to the federal government's ability to safeguard the American public. The Committee believes an adequate level of funding is needed to ensure that proper and continuous oversight is conducted over the above programs particularly in light of reduced staffing levels at the OIG during FY 2006 through FY 2009 against a backdrop of additional benefit programs and duties. The Committee supports increasing the OIG budget to ensure adequate oversight of these programs.

---

[10] Budget of the U.S. Government, Fiscal Year 2011, Appendix, 1189 (Feb. 2010).

District of Columbia

Court Services and Offender Supervision Agency (CSOSA)

Established by the National Capital Revitalization and Self-Government Improvement Act of 1997, the Court Services and Offender Supervision Agency (CSOSA) is an independent federal agency responsible for supervising all adult offenders on probation, parole or supervised release in the District of Columbia. Currently, CSOSA is in charge of supervising daily nearly 15,500 convicted felons, of which 80% exhibit a history of illicit drug use, 50% are unemployed, and 39% have less than a high school diploma or GED.

Given the expected increase in the number of offenders returning to the District in the coming years, the Committee is pleased that the President's FY 2011 budget proposal requests $217 million for CSOSA, which is a modest 2.5% increase over FY 2010's enacted level. Of the requested amount, $156 million is designated for CSOSA's Community Supervision Program, while $61 million is requested to support the Pretrial Services Agency, an independent entity within CSOSA. The Committee continues to be troubled by the unusually high rate of recidivism in the District and intends to conduct enhanced oversight of this issue during the second session of the 111th Congress. The Committee supports the President's proposed increase for CSOSA but encourages Congress to fund CSOSA at a slightly higher level of $218 million in FY 2011 to ensure the agency has sufficient funding to effectively manage its re-entrant transitional housing, job placement and supervision caseload.

District of Columbia Courts

The President's FY 2011 proposed budget provides a $247 million federal payment to support the District of Columbia Courts (DC Courts). The FY 2011 requested amount is $14 million less than the $261 million provided to the DC Courts in FY 2010. The Committee notes with some level of concern this 6% decrease in the amount of funding being requested to support the DC Courts in FY 2011.

The reduced funding level requested by the President for FY 2011 largely comes from reductions in the DC Courts' capital improvement budget. In FY 2010, the DC Courts received $75.5 million for capital improvements to its facilities. However, the President's recently submitted budget only requests $59 million for the DC Courts' capital needs. The Committee expresses concern that the nearly $17 million reduction in the capital improvement budget may result in delays in necessary maintenance to the Old Courthouse's historic structure which is nearly two centuries old. The Committee urges Congress to at least provide level funding in FY 2011 to support the DC Courts' capital improvement initiatives. The Committee also acknowledges that under a separate transmittal to Congress, the Courts will be requesting $204 million for its FY 2011 capital improvement efforts.

District of Columbia Tuition Assistance Grant Program (DC TAG)

The District of Columbia Tuition Assistance Grant (DC TAG) Program was established by the District of Columbia College Access Act of 1999 and was amended by the DC College Access Improvement Act of 2002. Additionally, the Committee reauthorized the program in 2007 under P.L. 110-97. DC TAG is designed to equalize postsecondary education opportunities for students from the District of Columbia by enabling them to attend any public college or university in the nation at in-state tuition rates. DC TAG provides college-going students limited financial assistance in the form of scholarships to help cover costs of attendance at private colleges in the DC metropolitan area and at historically black colleges and universities (HBCU) throughout the country.

Since its inception, DC TAG has assisted nearly 15,000 students from the District in their pursuit of postsecondary education. To this end, the Committee supports the President's FY 2011 proposed budget request of $35 million for DC TAG. If appropriated, the $35 million will be used to award eligible students grants of up to $10,000 annually for in-state tuition at most public colleges or up to $2,500 annually to attend private institutions.

District of Columbia School Improvement Payment

In light of recent indications of academic gains among DC public school students, the Committee expresses strong support for the $52 million federal funding proposed in the President's budget for improving public education in the District. Funding over the past six years has been provided specifically for what is known as the "Three-Sector Approach" to DC public school improvement. This supplemental approach to educational reform entails dedicating funding to support traditional public schools and public charter schools in the District, and to administer the DC Opportunity Scholarship Program. The DC Opportunity Scholarship Program provides annual scholarships to eligible students to attend private educational institutions in the District of Columbia. The 2003 DC School Choice Incentive Act, which enabled the DC Opportunity Scholarship Program, carried only a five year authorization, but Congress has continued to amend and fund the program.

The Committee notes that the President's request for DC schools includes $23 million for improvements to the District's public school system, $20 million to expand quality public charter schools, and $9.4 million to provide DC opportunity scholarships to students currently enrolled in the program. In light of concerns over the District's private school voucher program, the Committee agrees with the President's approach to phase out the program's annual appropriation after FY 2011.

District of Columbia Water and Sewer Authority

The Committee has continually supported federal funding for capital enhancements to the District of Columbia Water and Sewer Authority's (DCWASA)

aging infrastructure. The Committee is pleased to see the President's recommendation that $25 million be provided for continued implementation of the vitally important Combined Sewer Overflow Long-Term Control Plan (CSO), which has a total price tag exceeding $2 billion. In FY 2010, DCWASA received a federal payment of $20 million to support the CSO project. The Committee supports the increased funding proposed in the President's budget for the CSO project in FY 2011. As is customary, the funding proposed for DCWASA in the President's FY 2011 budget would be contingent upon DCWASA providing a 100% match for the payment.

While the Committee supports funding the implementation of the CSO plan, the Committee also asks that full consideration be given to providing funding in FY 2011 to assist with DCWASA's other major capital improvement projects, the Blue Plains Total Nitrogen Program, and necessary investments in water distribution and sewer collection systems.

Washington Metropolitan Area Transit Authority

Commonly referred to as "America's Subway," the Washington Metropolitan Area Transit Authority (WMATA)'s Metrorail, Metrobus, and MetroAccess play a critical role in the daily transport of thousands of federal workers, tourists, and other riders. WMATA is a critical component for ensuring continuity of federal government operations during an emergency or major security event.

Because WMATA is such an asset to the federal government and the Washington metropolitan region, the Committee is glad that the President's proposed budget contains a request for $150 million to support WMATA's FY 2011 capital and preventive maintenance needs in accordance with the Passenger Rail Investment and Improvement Act (P.L. 110-432). The Committee supports the President's request and urges Congress to do the same. Further, the Committee concurs with the President's comments regarding the need for WMATA to place the highest priority on improving safety throughout the entire transit system. The Committee remains concerned about the recent increase in both passenger and employee related accidents as well as the troublingly slow rate of replacement of WMATA's aging equipment and rail cars. In light of these issues, the Committee expects to conduct enhanced oversight of WMATA's operational, financial and safety challenges during the second session of the 111th Congress.

District of Columbia National Guard

The President's FY 2011 budget contains a request for $2 million to support the District of Columbia National Guard's retention and college access program. The Committee supports the President's funding request, but notes that the program, now known as the "Major General David F. Wherley, Jr. District of Columbia National Guard Retention and College Access Program," lacks a statutory authorization.

The Committee is aware that legislation has recently been introduced by Congresswoman Eleanor Holmes Norton to officially authorize the program. H.R. 3913, "The Major General David F. Wherley, Jr. District of Columbia Retention and College

Access Act", authorizes financial assistance for the postsecondary educational pursuits of enlisted guardsmen and outlines the various eligibility requirements for program participation. The Committee supports the underlying concept of H.R. 3913 and anticipates considering the legislation in the coming months.

HIV/AIDS Prevention in the District of Columbia

The Committee applauds the President's inclusion of a one time federal payment in FY 2011 to support HIV/AIDS prevention efforts in the District of Columbia. The District exhibits one of the highest HIV/AIDS rates in the nation, and, the Committee urges an all out effort on both the local and federal levels to combat this epidemic. The Committee acknowledges the recent actions taken by the District government to improve services, delivery, and oversight of its HIV/AIDS programs. Attention will continue to be paid to this important issue and the Committee strongly recommends that Congress provide the $5 million federal payment as requested in the President's budget for HIV/AIDS prevention efforts in the District.

National Archives and Records Administration

The National Archives and Records Administration (NARA) is the principal repository of records documenting the nation's history and the ongoing functioning of its government. Public access to these records is critical to enabling an informed electorate and to ensuring government transparency and accountability.

The Committee strongly supports the new National Declassification Center (NDC) established by President Obama in Executive Order 13526 on December 29, 2009. The NDC is needed to improve the efficiency and effectiveness of the declassification process in order to allow public access to declassified records and ensure the security of classified national security information. The Committee supports full funding to ensure NARA has adequate resources to staff and operate the NDC.

For some time, the Committee has been concerned about security at NARA facilities, especially the safeguarding and proper handling of electronic records. The Committee supports the Archivist's new Holdings Protection Program. The Holdings Protection Program is designed to reduce the loss of holdings and aid in the recovery of holdings while ensuring access to records for research.

NARA describes its Electronic Records Archives program (ERA) as "a comprehensive, systematic, and dynamic means for preserving virtually any kind of electronic record, free from dependence on any specific hardware or software."[11] In order for NARA to accomplish this goal, the agency must re-evaluate the ERA program in light of significant delays, cost overruns, and questions about the system's effectiveness. In addition, all federal agencies must comply with records preservation

[11] National Archives and Records Administration, Frequently Asked Questions About ERA (online at http://www.archives.gov/era/about/faqs.html).

requirements and NARA must have the resources to collect and examine records in a timely fashion. If that does not occur, records may be lost, undermining the goals of historic preservation and government transparency. The Committee supports the proposed addition of new archivist FTEs to help address NARA's growing workload of electronic and other records.

The Committee supports full funding for the Office of Government Information Services (OGIS) which began operating last year and has already begun to resolve FOIA cases.

The National Historical Publications and Records Commission is the oldest program within NARA, having been first authorized in the 1934 bill establishing the National Archives. The Commission is an important grant-making body, supporting activities to preserve, publish, and encourage the use of documentary sources relating to the history of the United States. The Committee supports funding the Commission at least at the FY 2010 level of $13 million.

The Committee will continue to monitor proposed changes to several NARA facilities. The Committee has specifically requested additional information about the proposed allocation of $5 million to the National Archives Experience Phase II.

With these concerns in mind, the Subcommittee on Information Policy, Census, and National Archives will continue its oversight activities related to the security of NARA's holdings, the prompt and proper processing of records, the availability of access and resources for researchers, compliance with recordkeeping requirements, and the agency's implementation of its core mission.

Office of National Drug Control Policy (ONDCP)

While the full Office of National Drug Control Policy (ONDCP) Budget for FY 2011 has not yet been released, the Obama Administration has published FY 2011 Funding Highlights for ONDCP, which allows the Committee to evaluate the Administration's allocations on a broad level. Based on the Highlights, the Committee is disappointed with the proposed 2011 ONDCP Budget.

The Committee recognizes the challenges facing ONDCP under Director Kerlikowske's leadership. He inherited a drug budget from the Bush Administration that runs counter to what research and evidence says is effective drug policy. Namely, the legacy drug budget overemphasized ineffective supply reduction, interdiction, and source country programs at the expense of addressing the problem of demand for drugs here at home. The Committee recognizes that reversing course will take time and must be done with deliberation to minimize disruption to current programs. The Committee also acknowledges that current budget environment is difficult, with OMB instructing all agencies to freeze and decrease spending on domestic programs. Still, the President's budget seems inconsistent with the Administration's stated intention to bring balance to

national policy and the federal drug control budget by focusing on domestic demand reduction programs, particularly prevention and treatment.

The President's budget still proposes spending at least two-thirds of the total drug budget on ineffective supply reduction programs. When the Bush Administration left office, its last budget (as represented by the FY 2009 budget) allocated 35.5% of its resources to demand reduction and 64.5% to supply reduction. The President's proposed budget does not change this allocation between supply reduction and demand reduction. Demand reduction increases by 0.5% to 36% and supply reduction decreases by 0.5%, to 64%. This minor change is disappointing.

The largest percentage increase in the President's FY 2011 budget is for prevention, which has grown by $203 million. The Committee is pleased that the proposed budget has an increased focus on prevention. But this increase is not substantial and is at risk of being misguided. It is insubstantial when viewed in the context of the $300 million funding hole created last year when ONDCP cut the state grant portion of the Safe and Drug Free Schools program, a cut that this Committee did not support. The $203 million increase proposed for FY 2011 would fund untested prevention programs. Even though ONDCP has stated in hearings before the Committee that it will support funding for effective programs, its budget proposes to increase funding for the media campaign by $21.5 million, despite several studies showing the Campaign to be completely ineffective. The President's budget proposes a first-time-ever cut of $9.5 million to Drug Free Communities, a grant program for community-based drug prevention that has been demonstrated to be highly effective in helping communities address and solve their own local drug problems. The Committee continues to believe that the Drug Free Communities program is essential to reducing drug use and its harmful consequences and does not support this reduction. The Committee looks forward to learning more about the new proposed community prevention programs.

The Administration seems to recognize that to reduce drug use and its consequences it must improve treatment programs, and it has increased spending in this area by 3.7%, or $137 million. The Committee applauds this increase, yet notes two concerns regarding the treatment budget. First, the budget does not propose any increase for what has been described by numerous organizations and previous administrations as the cornerstone of our substance abuse treatment system: The Substance Abuse Prevention and Treatment Block Grant. Additionally, funding for the Drug Court program, which has been the subject of much praise by this and previous administrations, and was the subject of a field hearing of the Domestic Policy Subcommittee, has been supporting not just drug courts, but also "problem-solving courts." While the Committee is in favor of the development of such problem-solving courts, we are concerned that their development comes at the cost of fewer new drug courts.

Most disappointingly, the FY 2011 budget did not seek major decreases in interdiction and source country program spending. Such spending had increased by almost 100% under the Bush Administration, despite well-supported research showing that these efforts do not reduce demand for drugs domestically in the United States.

Furthermore, while the budget request for domestic law enforcement is proposed to be increased by $74 million, to $3.9 billion in 2011, making it the largest element of the federal drug control budget, the High Intensity Drug Trafficking Areas program (HIDTA) was cut by $29 million. HIDTA enjoys broad support and proven effectiveness.

In this tight fiscal climate, the Committee hoped to see major decreases in ineffective programs like source country and interdiction program spending and more emphasis on domestic spending. Instead, the small gains in prevention and treatment in the budget seem to come at the expense of well-regarded programs like HIDTA and Drug Free Communities. The Committee looks forward to the release of the National Drug Control Strategy and the full details of the federal drug control budget to help explain these funding decisions.

Military Spending

Missile Defense

The Committee remains concerned about the status of the national missile defense program, and notes that the Administration proposes $9.9 billion for this program and $1.5 billion for the Space Based Infrared Systems (SBIRS) in FY 2011. SBIRS continues to have hardware and software problems that have not been solved in two years. Serious questions remain about the effectiveness of these programs and the fact that they continue to draw funds away from other national security and homeland security priorities. The Subcommittee on National Security and Foreign Affairs will continue to monitor this program and try to determine more effective alternatives for this program.

Weapon Systems

The President's budget would end the C-17 Globemaster Strategic Airlift Aircraft. By eliminating the C-17, $2.5 billion would be saved when additional aircraft are not needed. GAO has reported that the procurement process for many major weapons systems continues to face serious challenges, particularly in the area of project managers for oversight and scheduling experts. A GAO survey of just 93 systems produced a record of some $296 billion in overspending and serious schedule lapses. The President and Congress must continue to work together to eliminate wasteful and ineffective defense spending, which will conserve resources during a time of financial uncertainty and ensure that defense resources are efficiently allocated to counter threats to the United States. The Subcommittee on National Security and Foreign Affairs will continue to focus on possible resolutions and looks forward to working with DoD on the issue.

Pakistan

Since 2002, DoD has spent $7.2 billion to reimburse Pakistan for its support of U.S. military objectives in the war on terror through Coalition Support Funds (CSF). In FY 2011, the administration requested $1.6 billion for all CSF and Pakistan has traditionally accounted for 80% of this account. In September 2008, the Subcommittee

on National Security and Foreign Affairs released a staff report which raised serious questions about the effectiveness, accountability, and strategy behind such reimbursements.[12] Since that report, the Department of Defense has withheld significant reimbursements from Pakistan due to the lack of receipts and accountability. That is a first step. The Committee continues to have concerns about the use of CSF as platform for inducing and rewarding critical cooperation from Pakistan in the fight against militants.

State Department and USAID

International Affairs

The President's budget requests $52.8 billion for State and USAID which is a $4.9 billion increase from final FY 2010. Of this increase, $3.6 billion is for programs in Afghanistan, Pakistan, and Iraq. The budget for Yemen has increased from $67 million to $107 million. The State Department also plans to submit a FY 2010 supplemental request that includes $4.5 billion to support civilian efforts in Afghanistan, Pakistan, and Iraq. As a result of this increase, the record of the Subcommittee on National Security and Foreign Affairs indicates that additional oversight resources and mechanisms need to be developed to ensure that these resources are used appropriately. With the current threat of terrorism, it is also critical that our strategic approach in combating terrorism is effective.

Personnel

The Committee notes the President's request for $12.9 billion for personnel and infrastructure cost for the State Department and USAID. The record of the Subcommittee on National Security and Foreign Affairs suggests that the State Department and USAID have been starved of adequate resources to fulfill their critical missions abroad. As a result, there is an over-reliance on contractors, an incentive for DOD mission creep, and an inability to participate fully in critical interagency activities. The Subcommittee record also suggests there are open questions about the resources that will be available to foreign service officials when the United States draws down in Iraq. Although plans are being put in place and FY 2010 supplemental will provide needed resources, security will remain a pressing issue. As a result, the Subcommittee will continue to monitor this issue.

[12] House Committee on Oversight and Government Reform Subcommittee on National Security and Foreign Affairs, *U.S. Coalition Support Funds to Pakistan: From Ineffective, Unaccountable Reimbursements to a Long-Term, Strategic Relationship* (Sept. 25, 2008).

Edolphus Towns
Chairman

Paul Kanjorski
Member

Carolyn Maloney
Member

Elijah Cummings
Member

Dennis Kucinich
Member

John Tierney
Member

Wm. Lacy Clay
Member

Diane Watson
Member

Stephen Lynch
Member

Jim Cooper
Member

Gerald Connolly
Member

Mike Quigley
Member

Marcy Kaptur
Member

Eleanor Holmes Norton
Member

Patrick Kennedy
Member

Danny Davis
Member

Chris Van Hollen
Member

Henry Cuellar
Member

Paul Hodes
Member

Chris Murphy
Member

Peter Welch
Member

Bill Foster
Member

Jackie Speier
Member

Steve Driehaus
Member

Judy Chu
Member

EDOLPHUS TOWNS, NEW YORK
CHAIRMAN

DARRELL E. ISSA, CALIFORNIA
RANKING MINORITY MEMBER

ONE HUNDRED ELEVENTH CONGRESS

Congress of the United States
House of Representatives
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6143

Majority (202) 225-5051
Minority (202) 225-5074

Republican Views
Committee on Government Oversight and Reform
Views and Estimates Regarding the President's Proposed Budget for FY 2011

In some areas, we concur with the views of the Majority regarding the President's proposed budget for FY 2011. This list highlights selected areas of concern, but is not exhaustive. The President's budget outline provides only a limited view into the programs, priorities, and reforms of this Administration. As additional details emerge, we expect to highlight additional issues that we believe deserve greater focus.

Census

The Constitutionally mandated decennial census is the very heart of our system of representative democracy because it determines political representation through reapportionment of seats in the House of Representatives and the allocation of federal funding. Because of this, it is of vital importance to count every person once, and only once, and in the right place. The Minority continues its support for the President's proposed increase in funding for the Census Bureau for the preparation and conduct of the 2010 Census. It is the view of the Minority that each and every person in the United States on Census Day needs to be counted and will continue its support of efforts to ensure the Census Bureau has more than adequate funding to achieve this Constitutionally required actual enumeration.

Contracting

Federal Acquisition Workforce

The size and age of the federal acquisition workforce continues to be an important policy area to monitor. More than half of the acquisition workforce will be eligible to retire over the next 10 years. According to surveys, of those who are eligible, more than 45% said they actually intend to retire. We believe that a robust, experienced, and well-trained acquisition workforce is the fundamental core of an effective acquisition system. At every point in the contracting process, from award through the life of the program, we must have competent skilled individuals to combat waste, fraud, and abuse. Accordingly, the Minority supports the Administration's proposal to improve the size and capabilities of the federal acquisition workforce. Additional investment in training and career development programs for contracting officers and other members of the acquisition workforce should better position agencies to achieve a sustainable and growing cadre of well-trained and highly motivated professionals.

In-sourcing

We must continue to exercise strong oversight of the federal acquisition process. The Minority is hopeful that we will be able to meaningfully participate in the dialog relating to proposed changes to the definition of "inherently governmental," that is those tasks required to be performed by agencies rather than contractors. Guidance is soon expected from the Office of Management and Budget (OMB). This guidance is part of an overall policy initiative by the Administration to shrink the ranks of government contractors.

As part of the initiative to reduce the government's reliance on outside contractors, OMB has placed a moratorium on public-private competitions under OMB Circular A-76. We think there has been a willingness on the part of the Administration to conclude unjustifiably that the use of outside contractors is unnecessarily high. Efforts to reduce the number and percentage of contractors on an agency-by-agency basis may appear to meet cosmetic targets established by OMB, but may not be in the best interests of the government. A more strategic and thoughtful approach would be beneficial.

High Road

It has recently been reported that the Administration is considering implementing a series of acquisition source selection rules to benefit Big Labor by issuing an Executive Order. The initiative branded "High Road" contracting practices would award preferences to contractors that offer benefits above those required by law. Such a policy would circumvent existing procedures relating to the awarding of federal contracts, and may seriously increase the financial burden on taxpayers. Currently, government contractors are heavily regulated when it comes to pay rates of its employees. Both the Davis-Bacon Act and the Services Contract Act establish a prevailing wage for hourly workers. Implementing additional laws through the use of a Presidential Executive Order would add unnecessary additional layers of bureaucratic red tape for our already-overworked and short-staffed acquisition workforce.

We must seek to continue to diversify our supply base – not with more set asides and other non-competitive programs – but with innovative arrangements that allow the most competitive suppliers access to our acquisition system. Competition is the key to keeping government costs low. Any sweeping acquisition policy changes should be implemented with thoughtful and deliberate consideration.

District of Columbia -- DC Opportunity Scholarship Program

Although the program has adequate funding for the current school year, if it is to continue beyond 2010 it needs reauthorization and adequate funding. In the past this Committee and Congress has shown bi-partisan support for the program. It is unfortunate the Majority, without holding any hearings or conducting bipartisan consultation, have indicated they are not willing to reauthorize this program for the future of the District's children.

Citing the absence of a current bill as justification for not authorizing the D.C. School Choice program is outrageous – will a bill introduced in the first two months of this Congress be a prerequisite for consideration of all other authorizations this committee will consider?

The D.C. School Choice program enjoys strong local support and fills a great need in a city with a history of deeply troubled schools. Demand is high, with a long waiting list, and selection for the program is by lot. President Obama himself attended an elite private high school in Hawaii, and his children attend one in Washington, D.C., where they now have classmates who are recipients of these scholarships.

The "poison pill" language inserted into the Omnibus Appropriations Bill by Senator Durbin, signed by the president, would require reauthorization, as well as approval by the City Council for this federal

program. It was wrong to insert such language into an omnibus appropriation bill, and we consider it a gratuitous attempt to undercut this worthy program.

The original legislation in 2004 reflected a bi-partisan agreement to add new money to DC schools across the board. While we are grateful that the Senate may give floor time for a full debate on this program later in the year, we are concerned that the inappropriate attempt to terminate this program in the Omnibus Bill might result in many members taking a different view of the extra funding that has been provided for DC public schools.

This program should be immediately reauthorized with adequate funding to continue the program for another five years.

Office of National Drug Control Policy

Although the Minority supports the proposed increase to the National Drug Control Budget, we feel that a greater amount of funding should be allocated to the "International" function, given the national security implications of drug trafficking in weak nations including Afghanistan. Revenue raised from the sale of illegal drugs around the world is sometimes directed to terrorists or insurgents who are fighting against the United States in various locations. Indeed, the Taliban in Afghanistan is largely funded by the illicit sale of white poppies, which are used to produce heroin.

Additionally, the southwest border region has been disproportionately affected by the increasingly violent Mexican drug cartels. Spillover violence and the targeting of civilians on both sides of the border are very concerning, and for these reasons we support the increase in funding for the Organized Crime Drug Enforcement Task Force. The Minority supports targeting funds for interdiction, disruption, and other domestic law enforcement activities in the southwest border region. At the same time, the Minority believes that the ONDCP should exercise greater oversight of current anti-drug funding, such as the Merida Initiative, to eliminate waste and ensure maximum effectiveness.

The Minority remains disappointed in the lack of attention paid to enforcement of marijuana possession and distribution cases, especially in states where "medical" marijuana has been legalized. Failing to prosecute drug dealers – even those who purport to be operating for medical purposes – is unacceptable.

Postal Service

While the United States Postal Service continues to request the flexibility from Congress to reduce from 6 to 5 day delivery, the President's budget states that 6-day delivery shall continue. Due to the fact that the Postal Service expects to lose $7 billion by the end of Fiscal Year 2010, it is incumbent upon the Administration and the Majority to propose workable and consistent solutions to the Postal Service's financial crisis.

Transparency and Open Government

The Minority believes that all of the federal government's information – with a few, well-defined exceptions to protect national security, privacy and trade secrets, and legal privilege – should be published online, and supports legislation and executive initiatives that pursue this goal. The Minority believes that all recipients of federal spending – including contracts, grants, and other financial assistance, such as TARP spending – should be required to report publicly on their use of taxpayer funds, and these reports should be searchable, sortable, and downloadable. The Minority also supports efforts to open the federal budget to

public scrutiny by electronically identifying every appropriation and earmark. Oversight by this Committee will be essential to achieving all of these aims.

Transparency and accountability are closely related. When citizens and watchdog groups are empowered to search, sort, and download government forms, filings, and reports, they can hold the government directly accountable for its activities and policies. The Minority believes that federal agencies' accountability should be enhanced by requiring them to report publicly on the performance of each program and rule, using objective measures, and by tying funding to performance.

In December 2009, the Minority and Majority worked together to pass S. 303, which represents a first step toward data-driven transparency. If the Committee's manager amendments are retained in the final bill, this bill will require the Office of Management and Budget (OMB) to designate a single data standard for business and financial information reported to the federal government and another data standard for information exchanged within the government. Machine-readability and data interoperability will dramatically enhance government transparency; when consistent data standards are implemented, powerful searches of different agencies' information will become possible.

The Minority supports the goals of the Office of Management and Budget's Open Government Directive. The Directive is noteworthy because it expresses a presumption of openness for government data. Many federal agencies keep their information confidential unless the law explicitly requires it to be disclosed. The Minority hopes the Directive will begin to change this culture of opacity. The Minority also applauds the Directive's requirements for agencies to make certain data sets public online, and will support legislation to reinforce these requirements. In addition, the Minority agrees with the Majority that data-driven transparency and accountability will require many regulatory laws and rules to be re-evaluated or repealed.

Oversight will be essential to achieving transparency and accountability in government. The Minority is committed to enforcing transparency legislation and the Open Government Directive by exercising the Committee's oversight role through hearings and investigations.

Darrell Issa
Ranking Minority Member

SILVESTRE REYES, TEXAS, CHAIRMAN

ALCEE L. HASTINGS, FLORIDA
ANNA G. ESHOO, CALIFORNIA
RUSH D. HOLT, NEW JERSEY
C.A. DUTCH RUPPERSBERGER, MARYLAND
JOHN F. TIERNEY, MASSACHUSETTS
MIKE THOMPSON, CALIFORNIA
JANICE D. SCHAKOWSKY, ILLINOIS
JAMES R. LANGEVIN, RHODE ISLAND
PATRICK J. MURPHY, PENNSYLVANIA
ADAM B. SCHIFF, CALIFORNIA
ADAM SMITH, WASHINGTON
DAN BOREN, OKLAHOMA

PETER HOEKSTRA, MICHIGAN, RANKING MEMBER
ELTON GALLEGLY, CALIFORNIA
MAC THORNBERRY, TEXAS
MIKE ROGERS, MICHIGAN
SUE MYRICK, NORTH CAROLINA
ROY BLUNT, MISSOURI
JEFF MILLER, FLORIDA
K. MICHAEL CONAWAY, TEXAS
PETER T. KING, NEW YORK

NANCY PELOSI, SPEAKER
JOHN A. BOEHNER, REPUBLICAN LEADER

U.S. HOUSE OF REPRESENTATIVES
PERMANENT SELECT COMMITTEE
ON INTELLIGENCE

HVC-304, THE CAPITOL
WASHINGTON, DC 20515
(202) 225-7690

MICHAEL J. DELANEY
STAFF DIRECTOR

JAMES M. LEWIS
MINORITY STAFF DIRECTOR

March 12, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Spratt:

In accordance with House Rule X, clause 4(f), this letter forwards the required views and estimates of the House Permanent Select Committee on Intelligence. The Committee is uniquely constrained in that the total amount of the National Intelligence Program and Military Intelligence Program funding requested by the Administration remains classified, and therefore we are unable to provide unclassified recommendations as to funding levels for fiscal year 2011. However, we can provide some information that may assist you:

- First, although the fiscal year 2011 National Intelligence Program request is classified, in accordance with Section 601 of the "Implementing Recommendations of the 9/11 Commission Act of 2007", the DNI has revealed that the amount appropriated for fiscal year 2009 was $49.8 billion.
- Second, the funding for which the Committee authorizes appropriations is included, with two exceptions, within Departmental budgets, with the majority of it contained in the Defense Department budget.
- The two exceptions are the Intelligence Community Management Account (ICMA), and the Central Intelligence Agency Retirement and Disability Program (CIARDS). CIARDS is the only entitlement funding under the purview of our Committee. The amounts requested in fiscal year 2011 for ICMA and CIARDS are $706.7 million and $292.0 million, respectively.
- There are no sources of federal revenue within our Committee jurisdiction.

Many of our recommendations on improving government performance are included in the classified annex to our authorization Act; however, we can make one recommendation consistent with Section 425 of S. Con. Res 13, the requirement to promote long-term fiscal responsibility:

- Last year, we noted the government's dependence on supplemental funding for non-emergency activities. We were pleased to see the creation of the Overseas Contingency Operations request and its submission along with the base budget, but believe there are

still non-emergency and non-war-related line items within it and the Supplemental request. We continue to encourage actions that minimize agencies' abilities to fund non-emergency activities using supplemental funding. While some of these activities may be very important, we do not believe the practice encourages long-term planning and fiscal responsibility.

Please contact my staff if there is any more information we can provide to assist you in your responsibilities. My staff point of contact is Stacey Dixon, Budget Director, at 202-225-7690.

Sincerely,

Silvestre Reyes
Chairman

LOUISE M. SLAUGHTER, NEW YORK
CHAIRWOMAN

JAMES P. McGOVERN, MASSACHUSETTS
ALCEE L. HASTINGS, FLORIDA
DORIS MATSUI, CALIFORNIA
DENNIS A. CARDOZA, CALIFORNIA
MICHAEL A. ARCURI, NEW YORK
ED PERLMUTTER, COLORADO
CHELLIE PINGREE, MAINE
JARED POLIS, COLORADO

MURTAIN M. McCARTIN, STAFF DIRECTOR
(202) 225-9191
www.house.gov/rules

Committee on Rules

U.S. House of Representatives
H-312 The Capitol
Washington, DC 20515–6269

ONE HUNDRED ELEVENTH CONGRESS

DAVID DREIER, CALIFORNIA
RANKING MINORITY MEMBER

LINCOLN DIAZ-BALART, FLORIDA
PETE SESSIONS, TEXAS
VIRGINIA FOXX, NORTH CAROLINA

HUGH N. HALPERN, MINORITY STAFF DIRECTOR

MINORITY OFFICE
H-152, THE CAPITOL
(202) 225-9191

March 4, 2010

The Honorable John M. Spratt, Jr.
Chair
Committee on the Budget
U.S. House of Representatives
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

I am pleased to transmit, pursuant to clause 4(f)(1) of House rule X, the views and estimates of the Committee on Rules, together with Minority Views, regarding the President's fiscal year 2011 budget. This submission was adopted on March 2, 2010 by the Committee on Rules by a non-record vote in an open meeting with a quorum being present.

Although the Committee on Rules does not have legislative jurisdiction over spending or revenues measures required for inclusion in a budget resolution, pursuant to clause 3(j) of rule X and section 301(a) of the Congressional Budget Act of 1974, the Committee does wish to comment on the President's budget reform proposals contained in the portion of the fiscal year 2011 budget entitled "Restoring Responsibility."

****

Restoring Responsibility

Restoring Honest Budgeting In his second budget request submission to Congress, the President has again presented a unified Federal budget that includes costs for the wars in Iraq and Afghanistan, something the previous administration failed to include in any of its recent budget requests. We are pleased that the President is committed to this more accurate format for budgeting that contains the projected cost to the Federal government for the wars in both Iraq and Afghanistan. While there are conflicting views on these military activities, we continue to believe that it serves no purpose to hide these costs from the American people and the Congress. So while these conflicts may be controversial in nature, failure to disclose the significant costs would

certainly appear to diminish the credibility of an otherwise reliable budget document or estimate. The cost of these wars continues to devour a considerable portion of our Federal budget and therefore must be disclosed up front for implementation of any realistic budget plan.

In seeking a more comprehensive budgetary planning process, the Administration is utilizing a spending plan that looks at a 10-year rather than 5-year window, something the House already does when projecting the long-term cost of programs and services. It also calls for a "line-by-line" review of the Federal budget for programs that are ineffective, duplicative, or obsolete. We fully support vigorous scrutiny of all programs and services to ensure that American taxpayers realize the best possible return on their hard-earned dollars.

Restoring Fiscal Discipline

Return to Pay-As-You-Go Budgeting As we stated in last year's views and estimates, we fully support the President's commitment to return to the practice of pay-as-you-go budgeting. On the opening day of the 110th Congress, the House of Representatives began its commitment to responsible spending through the implementation of clause 10 of rule XXI, which precludes any direct spending or revenues from increasing the deficit. PAYGO was and continues to be, the fiscal centerpiece of the reforms put forth by the 110th Congress and has expanded since that time. In the 111th Congress, the Leadership and the Rules Committee continue to strive for full compliance with the PAYGO rule and have required standing committees to include offsets for any new spending. Committees in turn have also complied with the new rule and have worked to ensure that legislation moving through their committees does not increase direct spending. While the rule has been waived for a limited number of urgent and emergency measures, it has been a successful tool that has imposed fiscal discipline on mandatory spending and revenues.

In addition, the Congress passed and the President, on February 12, 2010, signed into law the Statutory Pay-As-You-Go Act of 2010, which reestablishes a statutory procedure to enforce a rule of budget neutrality on new revenue and direct spending legislation. The previous statutory PAYGO law -- which helped us achieve the budget surpluses of the 1990s and early 2000s -- expired in 2002. Under the new law, when legislation is scored as changing direct spending or revenue levels, such budgetary effects are recorded by the Office of Management and Budget on 5- and 10-year scorecards. For any budget year, a net increase in direct spending on either scorecard must be eliminated through an across-the-board sequestration ordered by the President. We believe that this new statutory provision coupled with clause 10 of House rule XXI will further solidify our efforts to help rein in deficit spending by requiring offsets.

Increase Accountability for Earmarks and Reduce their Number The Committee is pleased that the President remains committed to earmark reform in his budget request and also recognizes the significant reforms that have already taken place.

We look forward to working with him to continue ongoing efforts to further strengthen and improve this process.

In the last three years, the House of Representatives has implemented the most comprehensive changes to the earmark process in history, with unprecedented reforms to ensure maximum transparency and to make certain that taxpayer dollars are used wisely for the highest quality programs and services. The opening day rules package for the 110th Congress included new rules that for the first time required Members of Congress who are requesting an earmark to disclose in writing the name and address of the intended recipient, the purpose of the earmark, and to certify the Member (as well as his or her spouse) had no financial interest in the request. It prohibited trading earmarks for votes. It also required that each bill be accompanied by a list identifying each earmark included and which Member requested it. The list must be available either in the accompanying committee report or printed in the *Congressional Record* and therefore available online prior to final passage of the underlying vehicle. The rule further provided that this provision cannot be waived. Because of that, noncompliance with the rule allows any Member to raise a point of order and demand a vote to try and block Floor consideration. The opening day rules package of the 111th Congress codified in clause 9 of rule XXI an order of the House from the 110th Congress which provided additional protections and votes for earmark disclosure of so-called "airdropped" earmarks in appropriations conference reports.

In addition, the Committee on Appropriations in the first session of the 111th Congress implemented a new committee practice to increase transparency and accountability even further. Members are required to post, at the time of their request, detailed information on all their appropriations earmark requests on their official House websites. Additionally, the Committee will make public earmark disclosure tables even earlier, on the same day the subcommittee reports the bill.

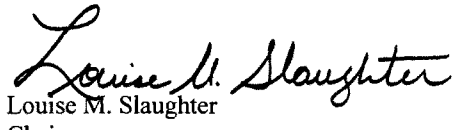
The Committee on Appropriations also implemented two additional reforms to provide for increased scrutiny of earmarks: 1) the Executive Branch will have the opportunity to review each earmark. After a Member submits a request for an earmark, the appropriate Executive Branch agency will be given 20 days to review the project to ensure that the earmark is eligible to receive funds and meets goals established in law; and 2) the Executive Branch will be required to ensure that any earmark request submitted for a for-profit entity must be awarded through a competitive bidding process.

Authorizing committees such as the Armed Services Committee and Transportation and Infrastructure Committee also have implemented similar internal requirements for increased transparency and accountability for their earmark requests. The Rules Committee is confident that these reforms will continue ongoing efforts designed to ensure that no earmarks can slip through the legislative process unnoticed or unscrutinized.

The Rules Committee intends to continue working closely with the Administration and the Budget Committee to ensure that the budget process now and in

future years results in a fiscally responsible and programmatically sound Federal budget that is responsive to the needs of the American people. Should you have any questions or concerns regarding this submission, please feel free to contact me or my staff at x5-9091.

Sincerely,



Louise M. Slaughter
Chair

cc: Hon. Paul Ryan
Hon. David Dreier

MINORITY VIEWS

The Committee on Rules has no legislative jurisdiction over spending or revenue measures required for inclusion in a budget resolution pursuant to section 301(a) of the Congressional Budget Act of 1974, and therefore it is not necessary for the Committee to transmit its views and estimates pursuant to clause 4(f)(1) of Rule X. However it is customary for the Committee on Rules to transmit, on occasion, its views pertaining to specific budget process proposals typically contained in the President's budget which either in whole or in part fall under the jurisdiction of the Committee on Rules.

The Majority has chosen to focus on 3 main topics: earmark reform; pay-as-you-go budgeting; and restoring honest budgeting. We are compelled to respond.

Earmark reform?

In the 109th Congress, Republicans initiated earmark reform to bring transparency and accountability to the earmark process with the adoption of H.Res. 1000. While the Democrats' reforms at the beginning of their Majority in 2007 optically appeared to build on the Republican reforms, they lacked one important element put in place by the Republican Majority: enforceability.

The procedure established in the 109th Congress made certain assumptions about the kinds of rules reported by the Rules Committee, namely that they almost always contained a waiver of all points of order. Under the 109th Congress, this automatically armed the earmark point of order against the rule, giving any Member an opportunity to bring the question of earmarks before the House prior to consideration of the bill.

The Democratic Majority argued that they did not like the optics of waiving the earmark rule against the bill, and so the waiver contained in virtually every rule reported by the Rules Committee waived all points of order except the earmark and PAYGO rules. Given that the present regime was built on the foundation established by House Republicans, the net effect of this exception from the waiver was to effectively turn off the ability of a member to debate the question of earmarks on a particular measure, rendering the improvements in the earmark rule worse than meaningless.

Furthermore the Majority's earmark rule still does not apply to the following instances in the legislative process:

- Amendments self-executed by the Rules Committee, which the current Majority has utilized at twice the rate of the previous majority;
- Any amendment made in order, but not offered first (i.e. not a "managers'" amendment);
- Any amendment made in order to be offered first if not offered by a Member of a committee of jurisdiction; and,
- Amendments between the Houses (commonly referred to as "ping-pong"), which the Majority has chosen to utilize with increasing frequency due to the

procedures added benefit of prohibiting any Minority amendment, including a motion to recommit.

The fact is that the disclosure of earmarks required under clause 9(a) of rule XXI does not apply in any of those cases, leaving the door wide open to suspicion and criticism.

Rather than address the enforcement and applicability flaws in the earmark rule at the beginning of the 111th Congress, the Majority chose merely to codify H.Res. 491 from the previous Congress which was only adopted after the Minority brought the issue forward. If the Majority is serious about their pledge to bring more transparency to the earmarking process in the House, they should take steps to address the flaws in the rule and work with the Minority to restore the integrity of the institution. The Minority will continue to be ready to assist the Majority in perfecting earmark accountability.

Restoring Fiscal Discipline?

When the Majority came into power in 2007 they reinstated with great fanfare a new pay-as-you-go (pay-go) rule. Since that time the deficit has swollen from $161 billion to $1.6 trillion. Pay-go has been waived or circumvented for $1.3 trillion in deficit increases; and when applied it has been used primarily to justify increasing spending with higher taxes.

The Minority believes that when there is a bipartisan agreement on spending and taxes, as with the Balanced Budget Act of 1997, pay-go can be a useful tool to enforce a deficit-reduction measure. But standing on its own, the Majority's version of pay-go is deeply flawed and vastly over-rated.

First, pay-go has become a distraction from the real problem: spending. Congress can pass any amount of entitlement spending increase without violating pay-go – as long as the spending is offset, and does not increase the deficit. This creates a great incentive for Congress to raise taxes to "pay for" popular spending proposals, and thereby appear fiscally "responsible." Indeed, pay-go has become a means of justifying higher taxes to chase higher spending.

Second, pay-go does not reduce deficits -- it just maintains them at their current level. It does not apply to current law, so it will do nothing to address the unsustainable rate of spending growth in existing entitlement programs.

Third, it is rife with loopholes and has been circumvented through various gimmicks. Pay-go does not apply to annually appropriated discretionary spending, which represents more than $1 trillion of the budget. For example in 2008, the war supplemental (H.R. 2542) included $66 billion in mandatory spending, the subject matter of which was outside the jurisdiction of the Committee on Appropriations, that otherwise would have been subject to pay-go. If the Rules Committee Majority is sincere about their commitment to "enforce" pay-go, they may want to start with enforcing committee jurisdiction when it comes to massive increases in mandatory spending.

Unfortunately the recently enacted statutory pay-go does nothing, other than establishing a scorecard, to address any of the above flaws.

We, as in years past, would also like to take this opportunity to encourage the Majority to review the methodology used by the Congressional Budget Office (CBO) in scoring proposed legislation — a matter that has taken on new importance in light of the Majority's new commitment to so-called pay-go rules. While we fundamentally disagree that tax cuts "cost" the government because tax revenue actually belongs to the public, not the government — there is an increasingly large body of quantitative data indicating that tax relief actually raises revenue for the government, not lowers it. For instance, the Joint Committee on Taxation forecast that 2003 capital gains tax cut would "cost" the Federal treasury $5.6 billion through fiscal year 2006. In reality, the Federal treasury received an "unexpected" $133 billion of capital gains tax collections through 2006 — a net error of $138.6 billion. We believe that the method known as "dynamic scoring" better reflects the true economic consequences of tax relief, and encourage the Majority to direct the CBO to score future legislation accordingly so that the actual revenue forecast of future legislation can be more accurately assessed.

Restoring Honest Budgeting?

While the content of the President's budget specifically falls within the jurisdiction of the Committee on the Budget, we will nonetheless comment on the Majority's discussion of such matters.

We congratulate and support the President's inclusion of the costs of the military operations in Iraq and Afghanistan, something House Republicans have done in their past budget proposals. While the inclusion has helped estimate future spending, it has not alleviated the need for supplemental and emergency appropriations to fund those operations, one of the Majority's rationales for the practice. The Minority was never under such delusion, which is why, unlike the Majority, we have often included reserve funds for such matters in our budget proposals.

We also congratulate the President's continuation of the previous administration's commitment to continually root out waste, fraud, and abuse within Federal programs with his "line-by-line" review of the Federal budget. Something we would hope any administration would do regardless.

Other Matters

We would like to take this opportunity to briefly address one other issue which the President raises in regard to the consideration of rescission requests and, with the Majority's indulgence, the rescissions contained in the President's budget. We agree with the President that the process by which rescissions are considered could and should be enhanced to ensure each rescission receives "rapid" consideration and gets a clean "up-or-down vote."

In his budget the President has proposed to rescind all funding for 47 discretionary programs and to reduce funding for an additional 26 programs, proposing a total of 73 rescissions. On February 4, 2010 the Minority leadership in the House

transmitted a letter to the President supporting his transmittal of all 73 proposals individually so that the House would have an opportunity to consider, debate, and vote on each proposal on its own merit. Should he choose to do so, each proposal would be subject to the meaningful yet weak rescission procedures provided by the Impoundment Control Act.

Our leadership took that important step even though we do not necessarily support each individual rescission. But the issue of spending is so important, we believe that the House should spend its time debating meaningful proposals to reduce government spending. Our Leadership has yet to receive a response from the President.

We hope the Majority takes this opportunity to review the rescission process provided by the Impoundment Control Act and take action to ensure that all Members have an opportunity to be heard and to vote on actual decreases in spending. During this time of economic uncertainty and given the Majority's newfound commitment to fiscal responsibility it would only seem appropriate. We stand ready to participate in such action, should the Majority choose to allow it.

In conclusion, we continually look forward to working with the Majority Members of the Rules Committee on any issues they do deem appropriate for the Committee on Rules to consider as well as those proposals espoused by the President in his Fiscal Year 2009 budget.

David Dreier

Lincoln Díaz-Balart

Pete Sessions

Virginia Foxx

VIEWS AND ESTIMATES
COMMITTEE ON SCIENCE AND TECHNOLOGY
FISCAL YEAR 2011

President Obama transmitted his budget request for Fiscal Year 2011 to Congress on February 1, 2010. The Committee on Science and Technology is pleased that the budget request includes significant investments in civilian research and development and is generally consistent with the funding priorities laid out in the *America COMPETES Act*. The Committee strongly shares the President's interest in putting the country on a fiscally sustainable path and recognizes the need to make tough choices to restore fiscal discipline. At the same time, the Committee agrees with the Administration that investments in science and innovation play a crucial role in ensuring our nation's long-term economic security and meeting the challenges of the future.

The following are the views of the Committee on Science and Technology on the budget for programs within the Committee's jurisdiction.

National Science Foundation

The National Science Foundation (NSF) is the primary source of Federal funding for non-biomedical basic research conducted at colleges and universities. The budget request includes $7.424 billion for NSF in Fiscal Year 2011, an 8.0 percent increase over Fiscal Year 2010 enacted funding. This level of funding keeps the budget of NSF on a doubling path, consistent with the funding goals laid out in the *America COMPETES Act*. The Committee is pleased with the proposed increases to the Research and Related Activities budget at NSF, and supports efforts to increase funding for programs focused specifically on innovation.

The Committee notes that, since its creation in 1950, NSF has been tasked with strengthening science, technology, engineering, and mathematics (STEM) education at all levels. NSF's education programs are unique in their peer review processes and their resulting capacity to develop new and improved educational materials and assessments, create better teacher training techniques, and move promising ideas to practice. The Committee supports funding NSF at a level that will ensure adequate and sustained support for its STEM education programs, particularly for the Noyce Teacher Scholarship Program and the Math and Science Partnerships Program, and is concerned that the budget request may not be sufficient to meet this goal.

The Committee will be moving legislation this year to reauthorize the National Science Foundation as part of the reauthorization of the *America COMPETES Act*.

Department of Energy

The Committee supports the budget request for the wide range of basic and applied research activities at the Department of Energy, including for the activities of the Office of Science, the Advanced Research Projects Agency – Energy, the Office of Energy Efficiency and Renewable Energy, and the Office of Nuclear Energy.

The Office of Science funds basic research and world-class facilities that play an integral role in maintaining technological competitiveness. Recognizing the important link between the Office of Science and long-term economic prosperity in the United States, the *America COMPETES Act* authorized significant funding increases for the Office. As such, the Committee welcomes the Fiscal Year 2011 budget request of $5.1 billion for the Office of Science. This funding level represents a 4.4 percent increase over Fiscal Year 2010 enacted levels.

As envisioned by the National Academies' 2005 report, *Rising Above the Gathering Storm*, and authorized by the *America COMPETES Act*, the Advanced Research Projects Agency – Energy (ARPA-E) is responsible for funding high-risk, high-payoff, game-changing research and development projects to meet the nation's long-term energy challenges. The mission of ARPA-E is to overcome technological barriers in the development of energy technologies by sponsoring research and technology development that industry is unlikely to undertake alone. The Committee strongly supports robust funding levels for ARPA-E. The *America COMPETES Act* authorized funding of $300 million for ARPA-E in its first year of operation with a significant ramp up in funding over the next few years. The Fiscal Year 2009 appropriations bill and the *American Recovery and Reinvestment Act* provided ARPA-E with $415 million in funding for its first two years. The budget request for ARPA-E in Fiscal Year 2011 is $300 million. While the Committee appreciates the budget request, it urges a funding level more consistent with the funding trajectory envisioned in the *America COMPETES Act.*

The President's budget request includes $2.35 billion for the Office of Energy Efficiency and Renewable Energy (EERE), representing a 5.0% percent increase from the Fiscal Year 2010 enacted level. The Committee is pleased that the budget request includes significant increases in funding for select large-scale demonstrations, vehicle technology research, and the development of innovative new building technologies for increased energy efficiency, but is disappointed to see level and decreased budget requests for specific renewable programs.

The President is requesting $503 million for research and development at the Office of Nuclear Energy, an 8.0% percent increase over the Fiscal Year 2010 enacted level. Close to 80 percent of this request is dedicated to the Fuel Cycle R & D and Reactor Concepts RD & D programs. The Committee believes that the United States must have

an inclusive portfolio to meet its growing need for energy and reduce greenhouse gas emissions, and recognizes nuclear power as a legitimate component of that portfolio. For this reason, the Committee supports research and development efforts to meet the technological challenges posed by expanded nuclear power production.

The Committee intends to move legislation this year to reauthorize the activities of the Office of Science and ARPA-E. The Committee also intends to draft and move legislation to authorize a comprehensive nuclear research and development program at the Department of Energy.

National Institute of Standards and Technology

The Committee is pleased that the Fiscal Year 2011 budget request provides funding increases for the National Institute of Standards and Technology (NIST) to advance technological innovation and economic competitiveness. The budget request for NIST for Fiscal Year 2011 is $918.9 million, a 7.3 percent increase over the Fiscal Year 2010 enacted level. This funding level is consistent with the doubling path set out in the *America COMPETES Act*.

The Committee strongly supports the $10 million increase proposed for the Technology Innovation Program (TIP). TIP awards cost-shared grants to small companies and joint ventures for the development of high-risk, high-reward technologies that meet critical national needs. The Committee recognizes TIP as an important tool in increasing technological innovation in this country, and supports efforts to provide the program with the funding it needs to complete its mission.

The Committee also strongly supports the $5 million increase proposed for the Manufacturing Extension Partnership. The MEP program is a public-private partnership in all 50 states and Puerto Rico that provides technical assistance for small manufacturers to modernize their operations and adapt to foreign competition. The increase in the Fiscal Year 2011 budget request would be used for innovation services for small and medium-sized manufacturers to accelerate technology adoption, promote environmentally sustainable practices, support market diversification, and improve workforce capabilities.

Finally, the Committee is supportive of the request for $69.4 million for Scientific and Technical Research and Services for focused investments in areas of national priority. In the face of increased global competitiveness, the Committee supports NIST's efforts to work with industry to address green manufacturing and construction, cybersecurity, the metrology to support the growth and potential of biopharmaceuticals, advanced solar technologies, and disaster resilient buildings and infrastructure.

The Committee will move legislation this year to reauthorize the National Institute of Standards and Technology as part of the *America COMPETES Act* reauthorization.

National Aeronautics and Space Administration
The budget request for Fiscal Year 2011 includes $19 billion for the National Aeronautics and Space Administration (NASA), an increase of 1.5 percent over the enacted Fiscal Year 2010 level. The Committee is pleased that the budget request provides increased support for NASA's Earth Science Decadal Survey missions, aeronautics R & D on "green aviation", extending the operation and utilization of the International Space Station to at least 2020, and exploration-related technology development activities. At the same time, the decision to cancel funding for the Constellation Program and to increase investment in the development of commercial crew human spaceflight vehicles represents a significant shift in policy that requires careful and deliberate consideration by the Committee on Science and Technology. The congressional budget justification from NASA, providing detailed information about the proposed changes, was only made available to the Committee on February 22, 2010 and is currently under review.

The Committee intends to move a multi-year reauthorization of the National Aeronautics and Space Administration this year.

National Oceanic and Atmospheric Administration
The Committee is pleased that the budget request for Fiscal Year 2011 includes a 17 percent increase in funding for the National Oceanic and Atmospheric Administration (NOAA). The bulk of the proposed increase in funding at NOAA is for the National Environmental Satellite Data Information Systems Office and, more specifically, for the Joint Polar Satellite Systems (formerly the National Polar-orbiting Operational Environmental Satellite System). The Committee recognizes that the data provided by the Joint Polar Satellite Systems is critical for several key U.S. economic sectors, as well as national defense needs, and requires appropriate investment. At the same time, the Committee strongly supports adequate funding for the Office of Oceanic and Atmospheric Research and the National Weather Service, and is concerned that chronic underfunding may erode some of NOAA's mission-critical services.

Environmental Protection Agency
The Committee has long advocated increased funding for research and development at the Environmental Protection Agency (EPA) to ensure that regulations are scientifically sound and cost effective. The Committee appreciates that the budget request includes a slight increase in funding for research and development at EPA, despite a proposed reduction in overall EPA funding. The budget request for Fiscal Year 2011 includes $847 million for Science and Technology programs and a $24.5 million transfer from the Superfund account to support Superfund-related research.

Department of Transportation
The Committee supports robust funding for research and development at the

Department of Transportation, consistent with the commitment outlined in SAFETEA-LU. The Committee is pleased that the Research and Innovative Technology Administration at the Department of Transportation has received a funding increase in the Fiscal Year 2011 budget request (from $13 million to $17 million) and welcomes proposed increases for Research, Development, and Technology programs at the Federal Highway Administration (from $643.6 million to $652.8 million) and Research and Development at the Federal Transit Administration (from $14.8 million to $33.1 million). The Committee hopes to move legislation this year to reauthorize surface transportation research and development programs at the Department of Transportation.

The President's budget request provides $190 million for research, engineering, and development at the Federal Aviation Administration, a decrease of $500 million below Fiscal Year 2010 enacted levels. The Committee supports the efforts of the FAA to conduct research, engineering, and development to improve the national airspace system's capacity and safety, and urges a budget for these programs sufficient to carry out these responsibilities. In particular, the Committee supports the significant increase in funding, including a sizable increase in the research, engineering, and development budget, for the Next Generation Air Traffic Control System (Next Gen). The budget request includes $1.143 billion in funding (up from $868 million in Fiscal Year 2010 enacted) for all Next Gen programs at FAA, including $77.5 million in research, engineering, and development-related funding (up from $72 million in FY 2010).

Department of Homeland Security

The budget request includes $1.018 billion for the Department of Homeland Security's Science and Technology Directorate, representing a 1.2% increase from the Fiscal Year 2010 enacted level. This increase is the result of the movement of the Department's Domestic Nuclear Detection Office research program to the Science and Technology Directorate. Without the DNDO research programs, the budget request represents a 9.7% reduction in funding from Fiscal Year 2010 levels for the Science and Technology Directorate. The Committee strongly supports the work of the Science and Technology Directorate, and wants to ensure that it has the resources it needs to carry out the research and development required to keep our nation safe.

The Committee intends to move legislation this year to reauthorize the activities of the Department's Science and Technology Directorate.

Sec. 425 OVERSIGHT OF GOVERNMENT PERFORMANCE

Section 425 of S. Con Res 13, the Fiscal Year 2010 Budget Resolution requires committees to review programs within their jurisdiction and make recommendations to reduce wasteful Federal spending to promote deficit reduction and long-term fiscal responsibility.

House Rule X assigns the Science and Technology Committee special oversight responsibility for "reviewing and studying, on a continuing basis, all laws, programs, and Government activities dealing with or involving non-military research and development." The Committees appreciates this special oversight jurisdiction and makes the identification of waste, fraud, and abuse in all non-military research and development programs a top priority.

To support its important oversight work, in the 110th Congress, the Science and Technology Committee reestablished the Subcommittee on Investigations and Oversight to help identify instances of waste, fraud, and abuse that could create savings for the Federal taxpayer. The Subcommittee continues to oversee a wide-ranging and detailed oversight operation, conducting investigations into instances of wasteful spending and holding oversight hearings to ensure that taxpayer dollars are spent as effectively and efficiently as possible. The Committee's legislative subcommittees are also regularly involved in overseeing spending at their agencies, aggressively pursuing any allegations of waste, fraud, or abuse.

In 2009, the Committee collectively authored many oversight letters and held at least16 oversight hearings. The Committee also worked closely with the Government Accountability Office (GAO)and the Inspectors General of its agencies on allegations of wasteful spending. Currently, the Committee has dozens of accepted requests for work pending with GAO and more are currently under development.

The Committee's oversight into government waste and contractor abuse has resulted in real savings to taxpayers. Most recently, following extensive oversight by the Committee, the Department of Homeland Security announced on February 25, 2010 a decision to cancel the plan to deploy advanced radiation monitors at ports and border crossings around the country. This program had been the subject of 3 hearings and multiple letters from the Committee focusing on the excessive costs and inefficiencies of the proposed technology. Cancellation of the program will save taxpayers at least $1.5 billion in acquisition costs.

The Committee is committed to building on this record in Fiscal Year 2011. The Committee will continue work already underway in the areas of: computer system

acquisitions, contractor costs and performance in the acquisition of next generation weather and climate satellites, procurement, conflict of interest and program management at the National Aeronautics and Space Administration, conflict of interest issues at the Department of Energy, and efforts to consolidate aviation weather services. In addition, the Committee will continue its aggressive oversight of funding appropriated in the *American Recovery and Reinvestment Act*, to ensure that funding is spent as intended.

A more detailed description of the Committee's planned oversight activities can be found in the Committee Oversight Plan for the 111th Congress: http://democrats.science.house.gov/Media/File/111th%20Oversight%20Plan.pdf.

Bart Gordon

Bill Bin

David Lipinski

Steven R Rothman

Jim Matheson

B. A. L. (LUJAN)

Paul S Tanner

Alan Grayson

Marcia L. Fudge

Donna F. Edwards

Kathy Dahlkemper

John Garamendi

Jerry V. Costello

Linda Fairs

Chet Wilson

Russ Carnahan

Eddie Bernice Johnson

Ben Chandler

Lynn Woolsey

Committee on Science and Technology
Additional Views
by Congresswoman Donna F. Edwards and Congressman Brian Baird
on the Views and Estimates of the Committee Fiscal Year 2011

We signed the Views and Estimates of the Committee on Science and Technology Fiscal Year 2011, however we would like to state our objection to the views by the Committee that investing in new nuclear reactors is a viable strategy to address America's energy independence portfolio. The industry has a history of cost overruns and default and current escalating cost estimates, as well as ongoing issues of safety of nuclear technology and the long-term storage of nuclear waste. Therefore, we have considerable reservations about expending limited U.S. taxpayer dollars on nuclear energy.

Loan guarantees for new reactors are very risky. Moody's Investor Services has called investment in new reactors a "bet the farm" strategy. According to the Congressional Budget Office (CBO), the likelihood of default on loans for new reactors is "very high – well above 50 percent." Renewable energy and efficiency technologies would be far less risky, could be implemented far more quickly and would cost ratepayers two to three times less.

Since any investment in nuclear power is going to be uncertain and costly, we urge the Committee to spend the time and energy that has been dedicated to nuclear energy by instead promoting cheaper and cleaner renewable energy and efficiency technologies. If we don't make a strong investment in renewable energy and efficiency, we will miss our opportunity to have a strong energy portfolio for the 21st Century that is both safe and cost-effective.

Sincerely,

Donna F. Edwards
Member of Congress

Brian Baird
Member of Congress

CONGRESSMAN GRAYSON
ADDITIONAL VIEWS & ESTIMATES

National Oceanic and Atmospheric Administration (NOAA)

While I was encouraged to see an overall increase for the National Oceanic and Atmospheric Administration (NOAA) in the President's FY2011 Budget, I believe that additional funding remains necessary to improve our ability to predict hurricanes, hurricane intensity, and promote greater overall focus on mitigating the devastating effects that hurricanes have on coastal populations and infrastructure.

With nearly 50 percent of the total U.S. population living within 50 miles of coastline, it is essential that we identify how vulnerable these ever expanding coastal populations become. I come from a community, and a state, that is no stranger to frequently changing, increasingly intense, and unpredictable weather patterns. Florida, with a population of more than 15 million, and a coastline stretching 1,200 miles, has been the most vulnerable state in the country in regards to hurricane or tropical storm activity, nearly doubling any other state in the total number of hurricanes and major storms on record since 1851.

The devastation and impact of recent hurricanes have demonstrated the critical need for an improved understanding of hurricanes and the ways in which we can better prepare to minimize loss of life and destruction of property. The economic impacts alone caused by hurricanes can cripple entire regions of the United States, as we saw in New Orleans in 2005, where Hurricane Katrina displaced hundreds of thousands from their homes, decimated local industry, and totaled an overall economic impact of nearly $150 billion dollars in Louisiana and Mississippi.

While billions of U.S. taxpayer dollars are spent on evacuation and relief efforts, the federal government invests little in the science and engineering research that could greatly minimize these enormous costs and save lives. Greater understanding of hurricanes and more accurate hurricane forecasts regarding

landfall and intensity are essential in moving forward. I strongly believe that an increased focus on hurricane modeling, the understanding of storm surges, rainfall, and flooding will increase our success in accurate track predictions and mitigation strategies. With greater attention to these areas, NOAA will need access to cutting edge storm observation technologies, as well as state-of-the-art research and observation facilities. I encourage the Budget Committee to increase funding for NOAA, to ensure that we have the best tools available to move hurricane forecasting technologies and models forward, thereby improving safety and economic integrity of our exposed coastal populations.

Alan Grayson

BART GORDON, TENNESSEE
CHAIRMAN

RALPH M. HALL, TEXAS
RANKING MEMBER

U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON SCIENCE AND TECHNOLOGY
SUITE 2320 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515–6301
(202) 225–6375
TTY: (202) 226–4410
http://science.house.gov

Committee on Science and Technology
Fiscal Year 2011 (FY11)
Minority Views and Estimates

It is important that we continue to make appropriate investments in science and technology research, development, and math and science education in order for the United States to remain a world leader in competitiveness and innovation. While Committee Republicans agree with the Majority that the Administration's budget summary "recognizes the benefits that science and technology and research and development investments have for our country's economic competitiveness, energy security, job growth and environmental health," we are also mindful that in the current economic environment, the nation faces numerous and difficult budgetary decisions that will require our careful consideration, diligent oversight, and appropriate action.

We are pleased that the budget summary continues to build on the American Competitiveness Initiative and the America COMPETES Act (COMPETES) (P.L. 110-69) by providing funding for physical sciences and engineering at the National Science Foundation (NSF), the National Institute of Standards and Technology (NIST), and the Office of Science at the Department of Energy (DOE), but have some concerns that in the quest to get stimulus money out the door, the Administration may be accelerating this funding beyond authorized levels with little to no direction on spending. We are skeptical about the claims of the Administration regarding the number of jobs created by the funding that was provided by the American Recovery and Reinvestment Act and remain concerned about the lack of oversight of the funding for these programs.

National Science Foundation (NSF)

The FY11 budget request for NSF is $7.4 billion. This $551.9 million increase is 8 percent increase over the FY10 estimate. While Committee Republicans recognize that the budget request falls below the amounts authorized in the America COMPETES Act (COMPETES), we also note that in addition to the $596 million in stimulus funds obligated for FY10, an additional $450 million remains unobligated. We support a robust budget request for NSF, but remain concerned that we not exceed current authorization amounts.

With regard to education, we agree with the Majority that NSF has an important and unique role to play in strengthening science, technology, engineering, and mathematics (STEM) education at all levels. We further agree with the Majority that the FY11 budget

should provide sustained support for K-12 programs, including the Noyce Teacher scholarship program and the Math and Science Partnership Program.

The FY 11 budget request continues to make climate change research and education a priority throughout the Foundation. NSF currently funds numerous research and education programs that address climate change across all directorates; however, the FY11 budget request continues to direct funding specifically to climate change. By continuing to single out a specific area of research over myriad others for targeted funding, this budget request hinders NSF's ability to support all science and engineering disciplines, potentially depriving funding for other much needed basic research.

Department of Energy (DOE)

In general Committee Republicans agree with and support the Administration's focus on basic research in this budget, particularly the efforts to place the Office of Science on a doubling path as called for by the America COMPETES Act. However, we note that the $300 million request for the Advanced Research Projects Agency (ARPA-E), if directed to the Office of Science, would be sufficient to provide for full funding along the doubling path endorsed by the America COMPETES Act and the Obama Administration. A majority of Republicans opposed the creation of ARPA-E in part due to concerns that it would divert funding from the Office of Science and impede the doubling effort. This budget appears to validate these concerns.

Further, those of us in opposition to ARPA-E continue to have concerns regarding the suitability of the DARPA model applied to the energy sector as well as the continued lack of clarity regarding the scope and mission of the agency. Accordingly, we believe that high-risk, high-reward R&D projects be funded through the traditional DOE structure and prioritized against existing applied energy technology programs. More broadly, we also remain concerned by the overall lack of clarity in the budget with respect to the numerous programs with overlapping goals and similar activities. In particular, the budget does not effectively articulate the details of and distinctions between energy technology development programs, such as the ARPA-E, Energy Innovation Hubs, Energy Frontier Research Centers, and traditional applied technology programs. Accordingly there appears to be a high potential for overlap and duplication of effort that must be addressed before funding increases for these programs move forward.

Committee Republicans are also disappointed and concerned with the impact of the proposed budget on American energy independence. While the budget's emphasis on renewable energy and energy efficiency programs will certainly contribute to energy independence, its hostile approach to supply side factors associated with energy independence—primarily, expanding traditional sources of domestic energy—is disturbing. For example, we are deeply disappointed that the President's budget summary proposes to eliminate the Ultra-Deepwater and Unconventional Natural Gas and Other Petroleum Research Program established in Section 999 of the Energy Policy Act of 2005 (P.L. 109-58). Section 999H(a) sets the funding for this program at a level of $50-million-per-year provided from Federal lease royalties, rents, and bonuses paid by oil and gas companies - not taxpayers. It should be clear that the overall program was

initiated and carried out to reach energy known to exist in the areas targeted - energy that was impossible to produce without new technology - and that the required technology would be eventually be paid for from the energy captured. The funds are to be directed towards research specifically targeting four areas: ultra-deepwater resources, unconventional natural gas and other petroleum resources, technology challenges of small producers, and research complementary to these areas.

Additionally, while we are wholly supportive of research into renewable and alternative forms of energy, we feel that domestically produced oil and natural gas will continue to play an important role in powering our country and must therefore receive support to increase our domestic supply and reduce our foreign dependence. The budget eliminates funding for research and development in fossil energy and appears to focus funding solely on carbon capture and sequestration research and development associated with coal fired electricity generation and industrial sources. We are pleased that research into carbon capture and storage is playing a prominent role in the budget summary, but we encourage the Budget Committee to continue to recognize the importance of oil and natural gas research and development to our country's future. The domestic oil and natural gas industry experienced nine (9) percent job growth from 2002-2008. With the Administration's recent focus on jobs proposals in the budget that stymie job growth should be fully examined.

While we commend the administration's efforts to provide additional loan guarantees for nuclear power plants and support efforts to focus research and development into reprocessing of spent nuclear fuel and the next generation of nuclear plants, we note the President's determination that Yucca Mountain is not a workable option and the subsequent decision to withdraw, with prejudice, the license application for the Yucca Mountain repository program raises significant regulatory and legal issues that may not only adversely affect the licensing and construction of a new fleet of nuclear power plants, but also may impact existing operating nuclear plants and license renewals. We believe that it is premature to withdraw this application, which has already cost the American taxpayers upwards of $10 billion, prior to consideration of all the options for disposal of nuclear waste by the Blue Ribbon Commission. Nuclear energy should be fully supported as the type of clean energy technology that will reduce dependence on foreign oil and all options should be allowed to be considered with regard to addressing spent fuel.

National Institute of Standards and Technology (NIST)

The Department of Commerce's NIST supports U.S. innovation and industrial competitiveness by advancing measurement science, standards, and technology to enhance economic competitiveness and address important societal challenges. The Administration's FY11 budget request for NIST is $918.9 million, a 7.3 percent increase over the FY10 level. This amount does not reflect the recently announced $123 million in FY10 stimulus funds for the NIST Construction Grant program (NCGP) to build new university research facilities or the $180 million in stimulus funds to maintain and renovate current NIST facilities.

NIST's core research and facilities programs are widely recognized as well-managed, high-leverage activities supported by world-class researchers. Accordingly, Committee Republicans agree with the Majority that these activities should receive priority in the budget, and, along with the Manufacturing Extension Partnership (MEP) and the Technology Innovation Program (TIP), be funded in accordance with the levels authorized in COMPETES.

At the same time, Committee Republicans intend to continue close oversight of NIST's budget and activities and hope to work with the Majority and the Administration to ensure appropriate and effective use of taxpayer dollars. Of particular concern is oversight for the new NCGP program, which received Stimulus funds but was not authorized by Congress or formally reviewed and considered by this Committee. Also, Committee Republicans are concerned that even though the Construction of Research Facilities (CRF) request is $22.2 million below the FY10 levels (not including Stimulus funding), it is still $124.8 million. Given that NIST received $180 million in Stimulus funds to address maintenance and renovation at its facilities, we would like a more thorough accounting of how these funds are being used in FY10 and the need for additional funding in FY11.

National Aeronautics and Space Administration (NASA)

NASA is at a critical juncture. The agency is preparing to retire the Space Shuttle at the end of this year without a successor vehicle in place. Our nation faces the prospect of sending hundreds of millions of dollars to Russia over several years to buy seats on their launcher until a replacement vehicle is in place. Given this national challenge, the President's FY2011 budget request of $19.0 billion for NASA, which represents an increase of $276 million (1.5%) over FY2010 enacted, is justified. While we are supportive of this increase, we differ significantly on the direction of the agency.

The FY2011 budget request reflects a radical departure for the agency. It cancels NASA's successor to the Space Shuttle, the Constellation program, which would be capable of launching astronauts to the International Space Station as well as to destinations beyond low Earth orbit. Two successive Congresses (109th and 110th) under different party leadership have overwhelmingly supported Constellation in NASA authorization bills. Over the last five years taxpayers have invested $9.1 billion on Constellation, and NASA engineers are confident that most of its technical challenges have been addressed. To cancel this program now without reaping the benefits of this investment would be a huge waste of taxpayer dollars. It also jeopardizes our nation's ability to return humans to space as quickly and safely as possible, and could have detrimental effects on our national security and global preeminence.

In place of Constellation, the FY2011 budget increases spending for technology research and development activities that someday may provide new propulsion, sensor, and materials capabilities for yet-to-be-determined missions. It also shifts money toward a commercial crew program ($500 million in FY2011; $5.8 billion over five years) to seed the development of commercial entities proposing to launch humans into low Earth orbit. Without offering any proof or programmatic details, the budget proposal assumes that

commercial launch providers will be able to offer human spaceflight services that are safer, faster, and cheaper. Committee Republicans have long supported the development of commercial cargo services and have ensured that authorization bills include funding for commercial cargo ventures. But, we also believe that until these entities can demonstrate an ability to safely put cargo into space it is not prudent to gamble American lives.

Committee Republicans are also concerned that the FY2011 budget significantly increases NASA's spending for Earth Sciences, adding $381 million (27%) over the FY2010 enacted, and $1.8 billion over four years (FY2011 – FY2014) compared to FY2010. The other science divisions receive modest increases or are flat-funded. Earth Science will eventually consume 40% of the agency's overall science program, crowding out funding for exciting science missions flown by the astrophysics, planetary sciences, and heliophysics communities.

The Committee believes it is imperative for NASA to maintain world leadership in human spaceflight capabilities. We are at the tipping point with the retirement of the Space Shuttle, and many industry experts firmly believe the Constellation program is the safest and most prudent investment. Given that the Science and Technology Committee has deliberated on this issue for several years and advanced bipartisan, broadly-supported legislation, it is disconcerting that this budget proposal suggests such a radical and unsupported direction for the agency.

Department of Commerce – National Oceanic and Atmospheric Administration (NOAA)

Committee Republicans have reservations about the FY11 budget request for NOAA of $5.6 billion, an $806 million (17 percent) increase over the FY10 enacted level. This substantial increase reflects several momentous policy decisions that have not been vetted by the Committee on Science and Technology.

The minority notes a significant change in this budget request from previous budget requests with the dissolution of the National Polar-orbiting Operational Environmental Satellite System (NPOESS) tri-agency program with NASA and DOD, and the creation of the Joint Polar Satellite System (JPSS), in which NOAA will be solely responsible for the cost of development and procurement of instruments for polar-orbiting weather satellites. The DOD is currently reviewing its options in moving forward with its own separate weather satellite system. Severing the tri-agency venture is a drastic attempt to ensure the prevention of potential data gaps in weather and climate information in the next few years. Over the last several Congresses, the Committee has held numerous hearings regarding the problems and delays in NOAA's next generation of satellites. However, we have not yet had a chance to evaluate the implications of this decision since it was announced just prior to the release of the President's budget.

Although this separation is still in transition with no clear path forward and no plan how to get there, NOAA has submitted a budget request that would cover the increased expense of building this satellite system independently. Accordingly, the minority

believes that the FY11 request for $2.2 billion for the National Environmental Satellite Data and Information Service (NESDIS) is premature at this time. This request is $810.5 million (58 percent) above the FY10 enacted levels as a result of the JPSS program. We believe that this radical shift in policy requires much more oversight and scrutiny by Congress and we strongly urge a more comprehensive policy be developed before moving forward with this plan.

Committee Republicans are extremely hesitant about the request of $464.9 million for the Office of Ocean and Atmospheric Research (OAR), which is a $15.7 million (3.5 percent) increase over FY10 enacted levels. Coupled with the $170 million OAR received in stimulus funding, this increase represents a continued commitment to enhance climate change research. While another increase at this time also begs the question of fiscal responsibility, our chief concern is that NOAA has recently announced its intent to establish a NOAA Climate Service as a new line office. This announcement came after the release of the President's budget, so it was not included in the FY11 request. It is our understanding that NOAA intends to request a reprogramming from the Appropriations Committees which will simultaneously move several key programs into the new line office, including the physical science parts of climate research and modeling from OAR, 3 data centers from NESDIS, and the climate observing network from the National Weather Service (NWS). As a result, OAR will be left with approximately $200 million and will become nothing more than a collection of random research programs.

The minority does not support NOAA's plan for creating a Climate Service for both policy and process reasons. We are extremely concerned that moving research into an operational program office will leave the research needs vulnerable since operational priorities will take precedence. NOAA has had experience with research suffering in an operational office in the past and the result was the NWS research components were moved to OAR in order to keep the focus of NWS on operations. With this proposal, NOAA is choosing to ignore the lessons of the past.

Furthermore, by moving the essential climate research programs into a new line office, NOAA abandons the interdisciplinary benefits gained by housing physical climate research with research from other scientific branches. The proposed Climate Service will attempt to provide adaptation products, which require the successful integration of biological, physical, environmental and social sciences into products and tools. However, the focus on solely the physical science research as part of the Climate Service indicates a shortsighted approach to meeting future climate product demands. One only needs to look at the National Integrated Drought Information System program (NIDIS) and its success to see the need to integrate many different types of science pulled from many different sources to provide a complete picture of impacts and tools for planning. Finally, OAR would effectively be crippled by the removal of half its research program and funding, thus weakening overall science at NOAA.

Therefore, we do not support the increase request for climate research in OAR until we can be satisfied that any new Climate Service would not irreparably harm research, as this current plan most certainly does, and until NOAA reorganization proceeds through

proper legislative channels, including consideration by the Committee on Science and Technology, which is the appropriate course of action for a reorganization of this magnitude.

Environmental Protection Agency (EPA)

Committee Republicans share the Majority's view that investments in research and development will be beneficial in the form of greater cost-efficiency of environmental protection programs. However, we are concerned that EPA's request includes funding for the promulgation of regulations that Congress does not yet support. The $847 million FY11 budget request for science and technology is a 0.1 percent increase over the 2010 enacted levels. Despite the heavy focus of the EPA budget on the anticipated implementation of a host of new regulations triggered by the EPA's endangerment finding finalized in December 2009, we are extremely concerned that only $16.9 million of the Climate Protection Program budget request is for science and technology, a $2.9 million decrease from FY10 enacted levels. As this is the program under which the Agency intends to promulgate these new regulations, such a request is indicative of EPA's "putting the cart before the horse" mentality in planning to create and implement new regulations that reduce greenhouse gas emissions with very little consideration of the need to develop the technology that would be required to do so.

U.S. Department of Transportation

Federal Aviation Administration – Research, Development and Technology

The FY2011 budget request provides $400.57 million for FAA research and development activities, a $11.53 million (3%) reduction below FY2010 enacted. Agency R&D is spread across four accounts:

1. **Office of Commercial Space Transportation (OCST).** The FY2011 budget request provides $15.75 million for OCST, a $510 thousand (3%) increase over FY2010 enacted. OCST is responsible for licensing and regulating commercial space launches and reentries to ensure compliance with standards designed to protect public safety. In addition, OCST encourages the commercial space launch industry to maintain pace with latest technological improvements in launch hardware and practices, and it serves to promote the growth of the US industry.
2. The **Research Engineering and Development** account (Aviation Trust Fund), with an FY2011 request of $190.00 million, compared to $190.50 million enacted in FY2010. RE&D conducts research to support a safe, efficient and environmentally acceptable aviation system in five key areas: air traffic services, airport technology, aircraft safety, human factors, and the environment.
3. A portion of the **Facilities & Equipment** account (Aviation Trust Fund) dedicated to engineering, development, test and evaluation, with an FY2011 request of $155.16 million, a 10% reduction compared to FY2010 enacted.
4. A portion of the **Airports Improvement Program** account (Aviation Trust Fund) with an FY2011 request of $42.22 million, a 13% increase compared to FY2010 enacted.

At a programmatic level we support the FAA's budget request for development and implementation of NextGen, our nation's future air traffic management (ATM) system.

NextGen technologies will ensure that our national airspace system can readily accommodate future growth while maintaining the highest levels of safety. Whether speaking about NextGen R&D, or NextGen generally, it is essential these efforts be supported.

Research and Innovative Technology Administration (RITA)
The FY2011 budget request provides $17.2 million for RITA, a $4.2 million (32%) increase over FY2010 enacted. RITA is responsible for coordinating DOT's research and development programs, as well as coordinating and developing Positioning, Navigation and Timing (PNT) technology, PNT policy coordination, and spectrum management. RITA is the program manger for the Nationwide Differential Global Positioning System. Most of the requested increase will support maintenance and equipment capitalization for the PNT services, especially through its Nationwide Differential Global Positioning System.

We also support the proposed funding levels for research and development for the **Federal Highway Administration** ($652.8 million in FY2011, a 1% increase over FY2010 enacted) and the **Federal Transit Administration** ($33.1 million in FY2011, a 124% increase over FY2010). Both of these essential activities will help America develop transportation solutions needed to sustain economic growth.

Department of Homeland Security (DHS)
The FY11 budget request for the Department of Homeland Security's Science and Technology Directorate is $1.02 billion, a 1.2 percent increase from the FY10 level. This increase reflects the movement of the Domestic Nuclear Detection Office's transformative research program to S&T. Without the program transfer, S&T funding would be 9.7 percent below FY10 funding levels. Committee Republicans are in strong agreement with the Majority that the work of the Science and Technology Directorate is important, and we will work to ensure that it has the resources it needs to carry out the research and development required to keep our nation safe.

Recognizing the importance of both Assistance to Firefighter Grants (AFG) and Staffing for Adequate Fire and Emergency Response (SAFER) grants to our Nation's fire departments, Committee Republicans remain concerned that with the consolidation of the Firefighter Assistance Grants Program into the State and Local budget line, the AFG program will continue its declining trend of funding. We strongly encourage the Administration to make sure that both grant programs, AFG and SAFER, remain balanced.

Ralph M. Hall

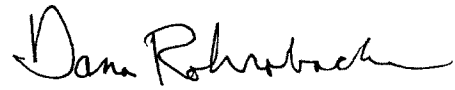
Lamar Smith

Judy Biggert

Michael T. McCaul

Pete Olson

Brian P. Bilbray



ADDITIONAL DISSENTING VIEWS
OF HON. DANA ROHRABACHER
COMMITTEE ON SCIENCE AND TECHNOLOGY
FISCAL YEAR 2011

Appropriate investments in research and development are critical to the future of every American, of our economy, and of our position of strength in the world. But we should not, we can not, we must not, mortgage that future by borrowing ever increasing amounts to achieve those goals. Although I agree with much of the Minority Views and Estimates, there are some specific areas on which I wish to state a different view.

U.S. Global Change Research Program The U.S. Global Change Research Program (USGCRP) is the government-wide program created by Congress in 1990 "to improve understanding of uncertainties in climate science, expand global observing systems, develop science-based resources to support policymaking and resource management, and communicate findings broadly among scientific and stakeholder communities." The $2.6 billion requested in the FY 2011 budget is a 20.7% increase over the FY 2010 enacted funding. These funds are requested directly in the budgets of NASA, NSF, NOAA, NIST, DOE, and other departments.

To be blunt, the entire budget for this program should be zeroed out. Federal global warming research has reduced, rather than improved, understanding of the uncertainties in climate systems. Many of the resources we have are not science-based. To continue down this path is foolish and foolhardy. By choosing not to borrow this $2.6 billion, the proposed increase to the total federal R&D budget over the FY 2010 enacted budget could be reduced by more than 70%.

National Aeronautics and Space Administration I am pleased the budget request for Fiscal Year 2011 for the National Aeronautics and Space Administration (NASA) calls for increased research and technology development so that America can be more competitive and NASA can explore the solar system more affordably. This is critical, both to create long-term jobs and to enable NASA to continue to explore even as we work to control deficit spending.

I am further pleased by the increase of $16 million to near-Earth object identification and tracking. I am hopeful that this is a sign the Administration takes this issue seriously, and will meet its obligation under the NASA Authorization Act of 2008 (P.L. 110-422) in "recommending a Federal agency or agencies to be responsible for protecting the United States from a near-Earth object that is expected to collide with Earth; and implementing a deflection campaign, in consultation with international bodies, should one be necessary with the responsibility for mitigation responsibilities."

And finally, I applaud the courage of the Obama Administration in calling for the cancellation of the Constellation program. Constellation, according to our nation's best

experts, is unsustainable and would not have fulfilled the goal of putting America back on the Moon by 2020 or even 2025, and we must be better trustees of America's public funds than continuing to spend funds on a program that cannot succeed. Instead, by choosing to invest in commercial launch options to low Earth orbit, our nation will invest in multiple projects to enable and stimulate both commercial human access to Earth orbit and more affordable NASA exploration beyond Earth orbit. I am strongly in support of these goals; I always have been. I therefore strongly support and endorse the key human spaceflight and technology elements of the President's budget for NASA.

Committee on Science and Technology
Fiscal Year 2011 (FY11)
Additional Views and Estimates

Department of Energy – Advanced Research Projects Agency

ARPA-E supports high-risk, high-payoff research and development designed to move breakthrough energy technologies into the market. It harnesses the considerable capabilities of American scientists, investors, innovators, and engineers to deliver robust, secure, and clean sources of energy.

ARPA-E holds much promise in developing and deploying technologies that will reduce our dependence on foreign oil and improve energy security. But I question whether the proposed higher funding levels will detract from important basic research performed by the Office of Science at the Department of Energy.

Department of Homeland Security

This Committee has continued to offer support for both Assistance to Firefighter Grants and Staffing for Adequate Fire and Emergency Response grants to our Nation's fire departments. Given the country's massive debt, we must ask ourselves "who does what" in order to restrain federal spending. Traditionally, states and local communities have been responsible for fire prevention and response efforts. We should limit this assistance to events that rise to the level of national disaster.

Bob Inglis
Member of Congress

Committee on Science and Technology
U.S. House of Representatives
Additional Views

The Minority Views and Estimates for the Committee on Science and Technology incorporate many positions that I support regarding the future of the various agencies under the Committee's jurisdiction. However, I want to emphasize the need to be vigilant in our oversight of these agencies and their budgets. In these difficult economic times and the record breaking deficits and debt levels, it is vital that the Committee not let the taxpayer down. As the American people are being forced to tighten their belts and make tough financial decisions for their families, this Committee must do the same. I am very concerned that some of the spending in certain agencies, coupled with the massive outlays in last year's American Recovery and Reinvestment Act of 2009 are unsustainable, in many areas unwarranted. With each program, the Committee must ask the tough questions. Is this program necessary? Can we afford this program? Are these programs constitutional? Is this program already being done? How do we measure success or failure of the program?

Additionally, the Administration's budget continues to make climate change a priority. As money is dispersed to this end, I believe we need to make sure that whatever conclusions that may be drawn are in fact based on sound science and that any policy initiatives should not be implemented without Congressional approval and oversight and with this Committee's active participation.

Paul Broun, M.D.
Member of Congress

Committee on Science and Technology
Additional Views - Fiscal Year 2011 (FY11)
Rep. Pete Olson, TX-22, Ranking Member
Subcommittee on Space and Aeronautics

I am deeply concerned about a proposed cut to NASA's human spaceflight program. Although NASA's top line amount has been increased, the proposed cancelling of the Constellation program is unwise, unwarranted, and unneeessary. Without Constellation, we have no concrete plans to develop a manned spaceflight system and our country will instead have to rely on purchasing seats from the Russians for the foreseeable future.

Furthermore, Constellation was designed to take humans beyond low Earth orbit to enable our eventual return to the Moon and to other interesting destinations. Without it, we are putting ourselves at risk of ceding US preeminence in space, especially in light of efforts now underway by other space-faring nations to develop their own manned spaceflight systems.

Contrary to recommendations made by the Augustine Commission to provide additional resources to ensure the agency can develop and sustain a "sound exploration program" – the administration has chosen to not take this path. Surprisingly, the budget proposal took current spaceflight program funding and shifted it toward technology research efforts, but without providing a destination, strategy or goal for their intended use. The lack of resources in itself is troubling and puts NASA in a very difficult position, but the proposed cancellation is devastating, making it very difficult to sustain funding over a long period of time if we do not have a clear goal.

The negative impact on our economy, to our industrial base, and on the ability to inspire students and young people to pursue studies in science and engineering, should make it very clear to anyone that this is the wrong decision to make.

Just as importantly, if our goal is to inspire students to learn about and pursue careers in STEM, we should maintain a commitment to the most visible and exciting program that has motivated more students and young professionals than any other: our nation's human spaceflight program.

This budget sets the priorities for our nation, and there is no doubt that American leadership in the area of human spaceflight should continue to be one of those national priorities.

Pete Olson

Rep. Pete Olson

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

SAM GRAVES, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6315

March 4, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and House Rule X, clause 4(f), I am writing to advise you of the views and estimates of the Committee on Small Business with regard to the fiscal year (FY) 2011 budget. In addition, this letter contains the Committee's recommendations pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 for rooting out waste, fraud, and abuse, and improving governmental performance.[1]

The Committee on Small Business has legislative jurisdiction over the Small Business Administration (SBA) and this letter accordingly focuses on the fiscal year 2011 budget request for this agency and the program it operates under the authorizations contained in the Small Business Act (15 U.S.C. 631 et seq.) and the Small Business Investment Act (15 U.S.C. 661 et seq.). These programs are included in the 370 Commerce and Housing Credit budget account.

FY 2011 SBA BUDGET OVERVIEW

On February 1, 2010, the SBA submitted its FY 2011 funding request. Through its budget, the agency has outlined its funding proposals for its core programs, ongoing operating expenses, continuing agency modernization efforts and assistance for small businesses impacted by disasters. The Administration's SBA budget proposes to fund the agency with $994 million, which is 20 percent higher when compared to the FY 2010 request. However, when volatile disaster program and congressional initiative funding is excluded, the overall funding is $791 million, which is a 15 percent increase ($104 million) over FY 2010 ($687 million). Core agency funding (salaries and expenses/operating budget), excluding congressional initiatives, increased to $625 million in FY 2011 from $609 million in FY 2010. This is an actual 2.6 percent increase

[1] Committee recommendations that will limit waste, fraud, and abuse, and improve governmental performance are footnoted in this letter.

in core programs. In addition, office operating costs increased to $121 million in FY 2011, from $104 million in FY 2010, an increase of 16 percent. This $17 million increase in office operating costs represents 89 percent of the overall budget increase, when excluding disaster funding, 7(a) credit subsidy expenses and congressional initiatives.

The request for non-credit programs is $174 million, a decrease of $11 million from FY 2010, due mainly to a reduction in Microloan Technical Assistance and PRIME funding. However, out of the 11 non-credit programs, only the National Women's Business Council and Drug-Free Workplace are given increases, while the Small Business Development Center (SBDC) and Women's Business Center (WBC) programs are flat funded.

Agency office operating costs are increased to $121 million in FY 2011, from $104 million in FY 2010, an increase of 16 percent. The Executive Direction budget request is $33.6 million, an increase of 30 percent and more than twice the level it was in FY 2009. SBA requests $18.4 million, an increase of $6.7 million from FY 2010, for the Loan Management and Accounting System modernization project. This project has been on-going since FY 2006. In the *American Recovery and Reinvestment Act of 2009* (ARRA), SBA received an additional $25 million for operating costs (salaries and expenses) and an additional $20 million for the Loan Management and Accounting System.

Within its budget submission, the SBA makes several legislative and administrative proposals. This includes the establishment of several new entrepreneurial development initiatives, which are expensive, duplicative, and untested. In addition, key changes are proposed to the SBA's lending programs that could result in costs being shifted to small business owners. As a result, the Committee has significant concerns about these budgetary schemes.

LENDING AND INVESTMENT PROGRAMS

Over the past year, a significant number of businesses have continued to struggle with inadequate access to capital – a lingering effect of the widespread credit crunch that brought about the recession. After nearly a decade of administration policies that focused on accommodating SBA's network of lenders to the detriment small business borrowers, the SBA's primary lending programs, the 7(a) and 504/CDC loan programs, have been unable to fill the credit gap. This has left thousands of small businesses without access to affordable credit at precisely the time when it is needed most. The Administration's FY 2011 budget would not only continue the policies that have proven disastrous to the capital access mission, but would also supplement them by providing unproven incentives for banks and lending intermediaries while imposing new costs on small businesses in need of capital.

While many small businesses have been unable to secure financing, the Committee does recognize the agency's contributions in implementing provisions under ARRA. These provisions contributed to a meaningful increase in SBA lending in which average weekly loan volume has grown by nearly 90 percent since February 2009. However, the agency must do more to close the persistent gaps in the commercial lending markets.

7(a) Loan Program

The Committee recommends the program level for the 7(a) program be set at $20 billion. With the potential for an economic recovery in FY 2011, a $20 billion program level should be sufficient to promote significant business expansion. The Committee is disappointed that the administration proposed to flat-fund the program, potentially limiting the role that the agency could play in an economic upturn next year.

In FY 2009, the total number of loans made through the 7(a) program fell by over 28,000 loans compared to the previous year, representing a 35 percent decline. Similarly, the total dollars lent through the program in FY 2009 fell by over $3 billion compared to the prior year, representing a 27 percent decline. These trends came on top of similar declines in FY 2008, as the number of loans fell by over 29 percent compared to FY 2007, and total funds loaned fell by over $1.6 billion. This represented the largest two-year decline in the history of the program, with over 50,000 fewer loans being made and nearly $7.5 billion less in lending — a level not seen in nearly a decade. These declines came in spite of significant Congressional efforts to shore-up the program by increasing the maximum guaranty amount and waiving borrower fees under ARRA.

The decline in SBA lending was led in large part by an overreliance and subsequent collapse in delegated loan programs, particularly the SBA Express Loan subprogram. Since FY 2005, agency budget constraints and a lack of manpower have led to an over-emphasis on the SBA Express program. In FY 2009, 40 percent of all 7(a) loans were made through the SBA Express program. By virtue of their lower guaranty and fully delegated lending decision, however, the SBA Express loans are less effective at filling the gap in credit for businesses that cannot find credit elsewhere. Anecdotal evidence suggests that SBA Express loans go to businesses that would have received credit without the need for an SBA guaranty. These same factors, combined with poor oversight of SBA lenders, make SBA Express loans more prone to default, lower recoveries, and drives up subsidy costs for the 7(a) program as a whole.

Increasing costs stemming from rising defaults and subsidy costs, particularly from SBA Express loans, have been the single largest driver of costs for the 7(a) program. The subsidy cost for SBA Express loans can be as much as three-and-a-half times more costly than regular 7(a) loans. To address these problems, the SBA FY 2011 budget requests an appropriation of $165 million to offset the positive subsidy in 7(a). It should be noted, however, that these rising defaults will also cause a $4.5 billion credit subsidy shortfall that will contribute to the national deficit in FY 2010.

Given the ongoing current credit conditions for small businesses, the Committee supports the administration's request for $165 million in appropriations for the 7(a) program in FY 2011. The program cannot function without this appropriation. It should be noted, however, that the need for this appropriation points to more fundamental problems in the 7(a) program and is not itself a remedy to these underlying issues. Consequently, the SBA must take immediate action to address the root causes of rising defaults and increasing program costs for borrowers.

As a result of the increasing defaults and higher subsidy costs attendant to SBA Express loans, the Committee recommends that SBA Express be discontinued.[2] Additionally, the Committee does not support using appropriations for the purpose of reducing the cost of loans made in the subprogram to zero and does not support increased guarantees, larger loans, or fee reduction initiatives for this subprogram. In lieu of SBA Express, the Committee recommends that the SBA focus on more targeted, cost-effective initiatives aimed at supporting increased lender participation while providing a robust source of capital for small firms that cannot acquire credit elsewhere.

Even with $165 million in appropriations for the 7(a) program, SBA estimates that the net average upfront loan fees paid by borrowers will increase by nearly 9 percent in FY 2011, meaning that on average, borrowers will pay $400 more in upfront fees compared to last year. With these measures, however, the administration's FY 2011 budget proposes legislation to provide SBA with additional authority to increase the fees in the program beyond their current maximums. The administration's request suggests that this is premised upon the need to offset the $4.5 billion in upward credit subsidy reestimates.

The Committee is strongly opposed to the administration's proposal to provide SBA with authority to increase fees beyond current maximums. This proposal is not only inequitable for small businesses, but also ineffective to address the anticipated $4.5 billion upward credit subsidy reestimate that the administration is ostensibly attempting to address. Already, fees on the largest loans can exceed $50,000 and the FY 2011 budget does not propose to extend or otherwise make limited fee relief similar to what was originally put in place under ARRA. As a result, the proposals would essentially cause a "double-jump" in fees, as ARRA fee waivers expire and SBA imposes higher fees on borrowers. Additionally, raising fees on new loans would have no effect on the rising costs from loans made in prior years and would not achieve the intended result of reducing the upward subsidy reestimates that are attributable to loans made in prior years. By trying to change policies in order to recoup prior years' costs, the administration is taking action that is inconsistent with the principles underpinning the Federal Credit Reform Act.

The SBA is also proposing to increase the maximum loan size to $5 million, even though these larger loan sizes are readily available through the 504/CDC and the Small Business Investment Company (SBIC) programs. This proposal is not only unnecessary, but would negatively affect the program by aggravating existing problems. As an initial consideration, under the existing fee structure for 7(a) loans, borrowers seeking loans in the larger $5 million range would pay over $91,000 in upfront fees, making them far more costly than most small businesses could afford. This supports projections based upon the SBA's historical distribution of loans which suggest that fewer than 50 loans in the larger $5 million range would be made per year.

Despite the small number of businesses that would benefit from larger loans, however, such an increase would likely drive-up the cost of loans for the majority of borrowers who seek small or medium size loans because larger loans have higher default rates than small and medium size loans. For this reason above all, the Committee does not support

[2] Committee recommendation #1 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

the Administration's proposal to increase the size of 7(a) loans beyond the current maximums. Such a change would only serve to benefit lenders and a handful of potential borrowers while the majority of borrowers and taxpayers are left to deal with higher program costs.

Proponents for larger limits on SBA Express loans have suggested that the higher default rate that Express loans currently suffer would be a non-factor if maximum Express loan limits were increased because the number of Express loan defaults is negatively correlated with loan size. This assumption is erroneous for two reasons. First, it must be noted that the higher default rate in SBA Express is endemic to the program. It does not stem from the size of the loan, but rather is an outgrowth of program's delegated lending authority that is exacerbated by a lack of oversight from the SBA. Thus, part of the reason that there are fewer loan defaults among larger Express loans (i.e. those between $100,000 and $150,000) is simply because the program's activity is heavily concentrated in smaller loans. Since 2005, lenders have made slightly fewer than 21,000 loans in an amount over $100,000. By contrast, there were over 195,000 loans in an amount under $100,000 in this same period. If the program's emphasis were shifted to make more loans in larger amounts, one could reasonably expect to see more defaults in loans of larger size.

It should also be noted that the assumption that larger Express loans will default at lower rates is incorrectly premised upon a linear projection of defaults that occur in the program. If this projection were extended beyond the current Express loan limit, one would expect to see no defaults in loans over $500,000. Clearly this is not correct, because there should always be an expectation of defaults regardless of loan size. A more appropriate mathematical projection based upon the historical performance of loans in the program would indicate Express loan defaults of around 10 percent among loans in the proposed $1 million range. This would be higher than the historical five year average of conventional 7(a) loans of similar size, which is slightly more than 6.5 percent.

In lieu of the proposals that the administration has put forth, the Committee believes the SBA should allocate new resources to improve lender oversight and manage the increasing costs of the program. Along with these efforts, however, the Committee recommends that the SBA pursue initiatives that are more focused on the needs of small businesses. Over the course of the last four years, the SBA has rolled out several lending pilot programs that have had little to no significant benefits for small firms. The Committee believes that these initiatives have proven of little value and should be discontinued.

The current administration has also done nothing to implement the initiatives contained in P.L. 110-140, the Energy Independence and Security Act of 2007. The Energy Saving (ES) Loan program established in this bill would function similar to the Increased Veteran Participation loan program (established under P.L. 110-186) and would provide meaningful benefits for small businesses taking loans to improve their energy efficiency. Like the IVP program, ES loans could operate within the existing zero-subsidy policy of the 7(a) program. While no appropriation is necessary to implement either of these programs, the Committee supports additional funds being provided for the agency to immediately take action to implement these initiatives.

Additionally, the Committee recommends that sufficient resources be made available to fully implement and maintain the increased guarantees and fee reductions contained in P.L. 111-5 and extended through FY 2011 by provisions contained in H.R. 3854, the Small Business Financing and Investment Act. It is the Committee's recommendation, however, that any funds made available for these purposes be applied only to reduce borrower fees, as the SBA is projecting an increase in the net average borrower fees in FY 2011.

504 Certified Development Company Program

For FY 2011, the Committee recommends that the 504 program level be set at $7.5 billion. With the program's current pace of lending, this should be more than adequate to sustain increased lending activity that may result from an economic recovery. In FY 2009, the 504 program made a total of 6,608 financings in a total amount of $3.83 billion. This represented a 27 percent decrease in the amount of dollars provided over FY 2008 and a 25 percent decrease in the number of financings over the year prior. These declines came on top of the 17 percent declines in both dollar amount and number of financings made from FY 2008 to FY 2009.

While the program remains at a zero subsidy rate, rising defaults in the program threaten to make loans prohibitively expensive. This consideration is heightened by the fact that the 504/CDC program contains significant exposure to the highly-volatile commercial real estate (CRE) market. Already, increasing trouble in CRE has pushed up the program default rate by 2.72 percent compared to the previous year to a total of 10.06 percent. At the same time, the SBA's ability to recover on defaulted loans will decrease by 2.65 percent. Furthermore, delinquencies on commercial mortgage backed securities (CMBS) are expected to steadily increase from the current level of about 4 percent, hitting a peak in late 2012 at 12 percent. This means that rising costs are coming as the result of more bad loans and a simultaneous inability of the SBA to liquidate and collect collateral on defaulted loans.

These conditions are potentially disastrous for the 504/CDC program. The Committee recommends that the SBA immediately take action to stem its existing exposure to the CRE market and heighten its lender oversight for loan the 504 loan program. The Committee also recommends that the agency take additional steps to improve its liquidation and recovery efforts. The Committee is deeply troubled, therefore, that the Administration has proposed to permit the widespread refinancing of CRE into the 504/CDC program in an effort to limit private sector losses in this sector as conditions deteriorate. The Committee strongly opposes this initiative.

As an initial consideration, the Committee does not believe that the wholesale refinancing of CRE is consistent with the basic policy underpinning the 504/CDC program. Since its inception, the 504/CDC program has been singularly focused on creating jobs and fostering economic development. Instead of creating jobs and fostering new economic development, however, the Administration's proposal would shift the risk of losses on CRE from private sector lenders to taxpayers, since CDC loans are fully backed by the SBA. Additionally, there is a significant risk that subprime CRE loans will be adversely

selected for refinancing into the 504/CDC program because prime debt is not likely to need restructuring with a government guaranty. This risk is only compounded by the fact that CDCs will generate fee income for the loans that they refinance, giving them an incentive that was not unlike the compensation structure for mortgage brokers, which contributed to the collapse of the residential mortgage market.

It is worth noting that in ARRA, Congress already passed a provision that would permit a limited amount of project-related debt refinancing in the 504/CDC program. However, safeguards were included that would prevent the transfer of substantial private sector risks to the government.

Instead of injecting new risk into the 504/CDC program, the Committee recommends that sufficient resources be made available to provide 504 Loan Servicing Centers with sufficient staff to handle the defaults that are projected to increase in FY 2011. The Committee further recommends that the SBA implement a comprehensive lender oversight and risk management system for the 504/CDC program. Consistent with the regulatory framework for other financial institutions, however, the Committee recommends that the cost of these efforts be assessed to lenders in the program and that no funds be appropriated for this purpose.

For FY 2011, the Committee expects the SBA to fully implement the energy saving debenture program enacted under PL 110-140, the Energy Independence and Security Act of 2007, which will expand the 504/CDC program to accommodate financing for projects that improve energy efficiency. While no appropriation is necessary for this purpose, the Committee supports making additional funds available so the agency may immediately take action to implement this program.

7(m) Microloan Program

In FY 2009, the program provided 2,758 loans in a total about of $30 million. This represents a nominal decrease in the number of loans made in FY 2008. Thus, despite SBA's own work to increase the number of intermediaries and program, growth in the Microloan program remains flat.

For FY 2011, SBA estimates an increase of 37 basis point in the net borrower interest rate for FY 2011, which will likely be passed on to borrowers. The subsidy rate for the program will also increase by nearly 3 percent and is directly attributable to this anticipated increase in interest rates. Perhaps most troubling, however, is the fact that SBA has proposed a cut to microloan technical assistance by over 50 percent compared to the previous year, from $22 million to $10 million. Without sufficient funding for technical assistance, the agency will be unable to make associated Microloans, as the program requires technical assistance to be delivered in conjunction with the loan. Additionally, the SBA has also proposed moving the PRIME technical assistance program under the purview of the microloan program and cutting its budget by half, to $3.4 million.

In FY 2011, the Committee supports the Administration's requested $3.8 million appropriation for the Microloan program, which should be sufficient to support $25

million in lending, but the Committee recommends funding for technical assistance for 7(m) at $25 million. These figures should be sufficient to support new entrepreneurs that will likely seek capital during the economic recovery and provide sufficient TA funding for the increased number of intermediaries that have recently joined the program.

Small Business Investment Company Program

In FY 2009, the SBIC Program provided 2,487 financings in a total amount of $1.69 billion. This actually represented a significant decrease of 21 percent in number of financings and almost 26 percent in total dollars financed compared to the previous fiscal year. This leverage was split between the two aspects of the program, with about a third of all financings being made through the Participating Securities (PS) program.

Despite efforts to improve utilization in the SBIC program, the SBA continues to seriously lag in its ability to attract new licensees to the program, even as the number of existing participants dwindles. Despite the agency's renewed focus on increasing the number of new licensees, the SBA only issued five more licenses in FY 2009 compared to 2008 (for a total of 11 new licensees). Without an increased emphasis on attracting or retaining licensees in the program, however, there will likely be continued declines in the number of financings through the program, as was seen in FY 2009.

Additionally, for FY 2011, the Administration has again requested no funding for the PS program and has not proposed a replacement for this program. It should be noted, however, that the PS program accounted for nearly a third of all financing that was made under the program last year. As the remaining PS funds exhaust their leverage and wind-down their investments, the SBA will face a significant gap in its ability to deliver investment to small businesses, particularly for early-stage and capital-intensive small businesses, which are primarily served by the PS program. According to SBA studies, the total unmet need for early-stage equity financing for small businesses is about $60 billion annually. The elimination of the PS program will only serve to increase this gap.

The Committee recommends that the SBIC Debenture program be authorized at $3 billion in FY 2011. Given that the over $2.2 billion in program authority went unused in FY 2009, this level of funding should be adequate to meet any new demand in the program that arises as startup investment expands in the wake of a potential economic recovery.

The Committee recommends that additional funding be provided to the SBA to support the creation of a new early-stage equity investing program similar to what the House has already passed in H.R. 3854, the Small Business Financing and Investment Act. Today, the SBA is entirely reliant on debt-based programs to overcome the difficulties that small firms encounter when seeking capital. These debt-based programs, however, are more suited to providing later stage, expansion capital to businesses with positive cash-flow that can be used to make regular payments on debt. As a result of the current economic environment, however, many entrepreneurs have been unwilling to take on new business enterprises, reasoning that opportunities for capital are scarce. Consequently, the gap for investment in early-stage and capital-intensive small businesses, which lack the resources to service heavy debt investment, has grown wider, and this critical component of the

small business community has continued to be underserved by existing government programs. A new equity program focused on early-stage small businesses could help address these trends and restore the gap in the SBA's investment mission that was left with the decline of the PS portion of the SBIC program.

Finally, the Committee expects the SBA to fully implement the energy saving debentures and increased leverage limits enacted under PL 110-140, the Energy Independence and Security Act of 2007, which expand the SBIC program financings for projects that improve energy efficiency. While no appropriation is necessary for this purpose, the Committee supports making additional funds available so the agency may immediately take action to implement these initiatives.

New Markets Venture Capital Program

Beginning in 2003, no funding was allocated for the NMVC program. As a result, the SBA has been unable to bring new NMVC companies into the program, limiting the availability of equity financing to entrepreneurs located in low-income areas. To date, only six NMVC companies are participating in the program. Additional funding is crucial, however, to ensuring that the NMVC program meets its full potential to improve economic development in low income communities, particularly in communities that have experienced a loss of their small manufacturing and industrial economic base.

For FY 2011, the Administration has adopted a "wait and see" approach in lieu of providing additional support for the program. In FY 2010, however, the NMVC program continued its trend of a downward credit subsidy reestimate. With only two years of funding in a total amount of $70 million, the NMVC program is currently projected to return nearly $2 million to the Treasury that will reduce the federal deficit. This $2 million downward credit subsidy reestimate comes amidst the worst recession since the Great Depression and stands in stark contrast to the $4.5 billion upward reestimate that the SBA's other credit programs will cause in FY 2010.

The Committee believes that the SBA should provide more support for programs like the NMVC program, which has proven itself as a cost-effective means of delivering capital to the small businesses that need it most. For this program to realize its full potential, the Committee recommends sufficient follow-on funding to guaranty $100 million in debentures under the NMVC program and provide $20 million in operational assistance grants. Additionally, the Committee supports additional funding to license new NMVCCs for the program. The consistent downward credit subsidy reestimates for the program portends significant and cost effective benefits from the program to justify additional support for the program.

Renewable Fuels Capital Investment Company Program

The Renewable Fuel Capital Investment (RFCI) program was established in December of 2007 under PL 110-140. The program authorized the creation of specialized Renewable Fuel Capital Investment Companies (RFCIC) to issue SBA guaranteed debentures to invest in small businesses engaged in researching, manufacturing, developing, and bringing to market renewable energy sources. This initiative represents a cost-effective

way of spurring innovation and development of technologies in the small business community to improve the nation's energy independence.

To date, however, SBA has taken no action to implement the RFCI program. Under the existing statutory framework of the program, no appropriation is necessary to implement the RFCIC program. Nevertheless, the Committee believes that $30 million should be appropriated for the purpose of reducing or eliminating fees associated with debentures issued under the program and that the program level be set at $1 billion for FY 2011. Additionally, $30 million should be used to implement the operational assistance grants to RFCICs. Such venture investments create jobs and are a sound investment to help the nation become a leader in these new technologies.

Disaster Assistance Program

Following the disastrous agency response to Hurricane Katrina and the 2005 Gulf Coast Hurricanes, the SBA was charged with making significant reforms to its Disaster Assistance program. Over four years since the disasters, however, doubts remain as to whether the agency has corrected the deficiencies that led to failures in 2005. In recent hearings before the Committee, the Government Accountability Office (GAO) has said that it does not believe that the SBA is prepared to respond to another major disaster. The Committee therefore recommends that sufficient additional resources be appropriated to fully implement the simulations, catastrophe modeling, workforce and logistical improvements that were required under P.L. 110-234, the Food and Energy Security Act of 2007.

Unlike other disaster management agencies, the SBA does not build a contingency fund to respond in the event of major disasters. Instead, the agency will rely upon ad hoc appropriation requests, which could be delayed in the event of a disruption that affects the legislative process. For this reason, the Committee recommends that $250 million be appropriated in FY 2011 for the purpose of building a contingency fund that could be drawn upon in the event of a catastrophic disaster.

The Committee supports the SBA request for $145 million for the loan-making function in FY 2011. This would be sufficient to support approximately $1.1 billion in loan making. The Committee also recommends that $203 million be appropriated for the disaster loan administrative function commensurate to support this level of loan making.

SBA is not proposing to support the short-term bridge financing business loan programs that were established under P.L. 110-234 in FY 2011. These initiatives would have permitted the SBA to make up to $150,000 at not more then 1 percent over the prime rate to businesses affected by a catastrophic disaster and make loans of up to $25,000 immediately following other disasters. These bridge loans would get financial assistance to businesses while they await processing or disbursement of their conventional SBA loan or insurance payments, which was a significant and widespread problem revealed by the agency's botched response following the 2005 Gulf Coast Hurricanes. Consequently, the Committee recommends that $1.5 million be appropriated for these programs in FY 2011. At their current subsidy rates, which are significantly lower than those for

conventional disaster loans, this appropriation will support $50 million in critical short-term loans in each program.

New Proposal for a Small Business Lending Fund

In late January 2010, the Administration and Treasury Department proposed that Congress pass legislation to reallocate $30 billion of funds originally appropriated under the Emergency Economic Stabilization Act (EESA) and the Troubled Asset Relief Program (TARP) for the purpose of establishing a new Small Business Lending Fund (the "Fund") to be administered by the Treasury. The Fund would be intended to support small business lending through community banks by providing banks with incentives in the form of discounted capital funding if they increase lending to small businesses.

The Treasury proposal is premised upon the same policies that contributed to the current credit crunch by putting the welfare of financial institutions before the needs of small businesses. It will provide financial incentives to banks in the form of discounted capital with the hope that these benefits "trickle-down" to small businesses. Furthermore, there are no strict requirements attached to the Fund capital and no penalty if the banks fail to use the Fund money for small business lending. In this sense, it is all "carrot" and no "stick," which would do nothing to curb banks natural inclination to make loans that are the most profitable and that would have been made even without the Treasury funding. Finally, under the Treasury proposal, banks would still be ultimate arbiters of which businesses get loans and which do not. Businesses would have no alternative if lenders do not participate in the program or if they continue to cherry-pick the best loans.

Small businesses that are currently outside banks' own credit standards will not be better off if the Treasury proposal becomes law. In consideration of these risks, the Committee does not support the proposal to reallocate $30 billion of TARP funds with no obligation that banks make this funding available for small businesses. Additionally, the Committee is troubled by the fact that this proposal will deliver incentives to banks with no restrictions on how lenders may profiteer from the businesses they are ostensibly intended to serve. Instead, the Committee encourages the administration to develop a program that stands a better likelihood to provide capital and interest incentives directly to small businesses without the continued reliance upon banks as intermediaries.

Finally, it should be noted that the Treasury's $15 billion initiative to purchase pools of SBA securities failed in achieving its goal, raising questions about whether the Treasury is the appropriate agency to carry out such small business initiatives.

ENTREPRENEURIAL DEVELOPMENT PROGRAMS

The Committee recommends full funding at the statutorily-authorized levels for the agency's business development programs. Funding these programs at their capacity will establish critical levels of resources available for assisting entrepreneurs adjust to the current challenging business climate and remain key engines of economic growth. In contrast to the Administration's FY 2011 budget proposal to freeze the agency's core entrepreneurial development programs while creating new high-cost targeted initiatives,

the Committee recommends supporting the existing network of community facilities to ensure fair access to these services for entrepreneurs across the nation.

Small Business Development Centers (SBDCs)

The Administration's request of $113 million for the SBDC program is not sufficient to meet the needs of small business. This request is the same as the funding level for FY 2010. The Committee believes that this program should be funded at the authorized level of $135 million. This amount will ensure SBDCs have adequate capacity to address increased demand for entrepreneurial development assistance, particularly in the form of self-employment and business stabilization tools due to challenging conditions in the economy. In addition, the Committee requests $5 million for the SBDC initiative contained in P.L. 110-140, the Energy Independence and Security Act of 2007, and $5 million for the SBDC initiative contained P.L. 110-186, the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008. These programs will provide veteran entrepreneurs, and small businesses seeking to become more energy efficient with the assistance and technical advice they need. The Committee also requests $10 million for SBDC state and regional directors to create and implement a nationwide program to aid small businesses access new capital resources and tax incentives established through stimulus initiatives.

The administration's proposal to freeze spending for the SBDC program at the FY 2010 funding level of $113 million would exacerbate the already stressed conditions of the community-based network that entrepreneurs use to access counseling and training. An additional investment of $23 million in the program to the authorized level of $135 million would create almost 12,000 more jobs. In addition, the Administration proposes to waive section 7(e) of the Small Business Act which would effectively eliminate the SBDC program's statutorily mandated funding formula. That formula requires federal resources to be allocated to the SBDC network through a population-based formula grounded in Census data. The proposed change would allow the agency broad, subjective discretion in granting awards. This would discard a formula which has worked well for years and has been updated to ensure fair treatment of states with smaller populations. The Committee strongly opposes any shift from the current law as it ensures fair distribution of resources based on clear data (the Census) and a completely transparent decision making process.

Women's Business Centers

The Committee believes that the Administration's request of $14 million for the Women's Business Center program is inadequate. This is the same level this initiative was funded at in FY 2010. Instead, this program should be funded at its authorized level of $17.5 million. This amount can be used to open centers and provide greater support for existing centers. Given the critical role women entrepreneurs serve in economic growth, contributing nearly $3 trillion to the national economy and creating or maintaining 23 million jobs, this program is a vital investment in the country's recovery.

SCORE

The administration requests $7 million for the SCORE program, which is the fully authorized level. This level of funding is appropriate and will ensure continued resources for the agency's business mentoring services, which are critical for entrepreneurs adjusting to challenging economic conditions.

Emerging Leaders Initiative

While the goals of this program are justifiable, the Committee is concerned about the effectiveness and efficiency of the initiative due to its program design and past performance. As a pilot program, the initiative failed to demonstrate the capacity to generate a significant economic impact despite the large share of resources allocated to it. This program only created 132 jobs at a cost of $800,000, for a per job cost of $6,000. This amount is almost twice as much as the job creation cost of the SBDC program, which costs $3,500 to create one job.

The Committee also believes the program is duplicative of SBA's existing network of SBA's entrepreneurial development providers. Given the available network of local SBA facilities, such as SBDCs, WBCs, SCORE chapters, and District Offices, the program's purpose overlaps with these ED services. ED infrastructure is located in all urban areas as well as in many Native American communities, which are currently responsible for providing services to the businesses also targeted by the initiative. Although the program was designed with the intention of closing gaps in services for communities in need, it will shift resources from capable existing centers that merely require adequate funds to provide the necessary assistance. Further, the initiative lacks effective mechanisms to ensure local ED facilities can collaborate on providing these targeted services and follow up with clients in their communities. Consequently, the network's effective operations are obstructed and support to these businesses is not necessarily consistent.

Therefore, instead of expanding the program to $3 million, which was proposed by the Administration in the FY 2011 budget, the Committee requests that funding for this program be terminated.[3] Resources should instead be targeted to fill gaps in communities' needs through the agency's current ED infrastructure network.

Regional Innovation Clusters

The federal government can serve a critical role in promoting regional initiatives to develop industry clusters, thereby supporting sustainable local economies that contribute to national growth. However, the Committee has major concerns over the design of the regional cluster program proposed in the Administration's FY 2011 budget and related funding request of $11 million, which would make this initiative the third largest SBA entrepreneurial development program.

Although the initiative's goal is to target significant resources in the form of intensive training and expertise to regional industry clusters, the institutional framework to

[3] Committee recommendation #2 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

implement the proposal has not been clearly established. Plans for the allocation of resources, partnership agreements among local, private, and federal service providers in the targeted areas, and decision-making coordination remain unclear. Therefore, the program lacks a specific implementation strategy, providing minimal opportunity to ensure federal oversight in the allocation of resources and performance of services.

Designed to target resources and assistance to a select few communities, the initiative also limits ED assistance and forces the agency to play a significant role in creating winners and losers for certain businesses and industries. Currently, SBA's portfolio of ED programs is structured to provide generalized assistance to a broad expanse of communities, thereby promoting affordable access to business assistance resources. Yet, by targeting resources, the proposal will help a limited number of entrepreneurs and communities become competitive and will exacerbate competitiveness disadvantages for those that lack the tools to develop strong enterprises and economies. Further, as the program lacks adequate methods to ensure that resources for the initiative are fairly distributed, there is significant concern over abuse of these funds.

Given the program design flaws and divergence with the agency's core ED program goals, the significant budgetary request by the Administration is inappropriate. As a result, the Committee recommends that this proposal be rejected.[4]

Office of Veterans Business Development

The Committee supports the Administration's request for the SBA's Office of Veterans Business Development (OVBD) of $2.5 million. This would ensure the agency has the resources to continue customizing services to meet the needs of current veteran entrepreneurs.

Full funding of the agency's OVBD will ensure the implementation of its statutory mandate contained in P.L. 110-186, the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008. This includes implementing new veteran-based initiatives, the expansion of veteran assistance outreach facilities in communities across the country, and customizing resources to meet the needs of women and disabled veterans.

In addition, the Committee requests $10 million in additional funding for a Veterans Business Center program that the Committee plans to authorize during the year. This program will modernize and streamline the federal government's core veterans' entrepreneurial development training initiative, and provide returning servicemen and women with the tools they need to start a business.

National Veterans Business Development Corporation

This Corporation was created to provide training and entrepreneurial development services to veterans. Unfortunately, it has not reached its full potential and the American Legion and Veterans of Foreign Wars have called for its termination. The Committee

[4] Committee recommendation #3 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

concurs with this viewpoint and recommends that the funding for the Corporation be terminated for fiscal year 2011, which is in concert with the Administration's FY 2011 budget proposal.[5] Given concerns that the organization is insufficiently fulfilling its purpose to provide comprehensive assistance to separating members of the nation's military forces, the Committee is proposing improved alternatives – including the Veterans Business Center program discussed in the section above – to deliver these services.

The Committee's commitment to promoting veteran entrepreneurship remains strong. Therefore, it is critical that assistance programs to the sector are effective and that veterans have access to these resources so they can establish successful enterprises in all stages of the economy.

National Women's Business Council

To eliminate any potential duplication of the Council's efforts with the research conducted by SBA's Office of Advocacy, the Committee is working to reform the organization's mandate. Until this process is completed, the Committee recommends that the program be funded at $1 million with increased oversight of its work. Given that there has been no clear rationale to nearly double the Council's funding to $1.9 million, as proposed by the Administration in the FY 2011 budget, the Committee requests no increases at this time.

Drug Free Workplace Program

The Drug-Free Workplace program was originally created to assist small firms in the implementation of a plethora of substance abuse counseling and training activities.[6] This included creating workplace drug policies, drug prevention training and education seminars, providing for drug-testing, and counseling employees on substance abuse. Instead, the program has evolved into a subsidy solely for drug-testing centers, a private industry that does not warrant funding from the SBA, an agency whose mission is to promote and assist small businesses.

Given the financial challenges facing the government, the Committee does not believe it is prudent to use scarce taxpayer funds to purchase drug-testing services from and for viable private sector companies, despite the Administration's FY 2011 request to fund the program at $1.03 million. Such funds would be used to support the same companies through tax relief, loan guarantees, or reducing their regulatory burden. As a result, the Committee recommends termination of program funding due to the lack of meaningful returns on the public investment.[7]

---

[5] Committee recommendation #4 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.
[6] See Section 27 of the Small Business Act (15 U.S.C. 654).
[7] Committee recommendation #5 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

Office of Native American Affairs

Given the significant impacts of the declining economy in Native American communities and the concomitant rise in demand for business development services for these regions, the Committee recommends $6 million in funding for the SBA's Office of Native American Affairs (ONAA), which include funds for administration, outreach efforts, and grant awards for Tribal Business Information Centers.[8] In contrast, the Administration proposes to flat fund the program at $1.25 million in FY 2011. By increasing access to business development and the expansion of tools available through the agency's entrepreneurial development, lending, and procurement programs, adequate budget resources will help to spur growth in these communities. This level of funding will ensure an expansion of assistance to entrepreneurs in these regions in terms of access to customized services.

Office of International Trade

The Committee recommends funding the Office of International Trade at $6 million. The agency proposes to effectively level fund this office and its programs in FY 2011 at $5.2 million. Additional resources will ensure that entrepreneurs have access to tools for successful integration into global markets and to help offset declines in domestic consumption. The agency must increase its assistance to small businesses engaged in international trade to ensure their global competitiveness as the domestic economy falters, particularly through export financing and technical assistance. Specifically these resources can be used to provide needed additional U.S. Export Assistance Center experts to facilitate small businesses' overseas transactions and to expand the agency's international lending activities.

The utilization of resources for international trade assistance to small business must also become more transparent. Therefore, the Committee recommends that the agency re-establish a specific line item for the Office of International Trade rather than following the approach that folded the program into the operating budget. This will ensure that Congress can monitor the agency's contributions to promoting trade opportunities for small firms and, consequently, their efforts to create new economic opportunities for the country.

Export assistance programs are a critical investment in our nation's economic recovery. As a source of employment growth, each $1 billion in exports creates, on average, over 4,000 new high-pay, high-benefit jobs. As an economy engine, every $1 invested in these programs generates $500 in export sales. Therefore, as the nation pursues export-oriented economic growth, the Committee recommends that the agency increase its institutional focus to ensure that small firms can compete globally.

[8] The Committee also recommends prohibiting ONAA project budget resources to be utilized to implement the agency's proposed Emerging Leaders program, which occurred last year. The ONAA resources should instead be allocated solely to fulfill its purposes and any agency initiatives should be funded from specified program budgets.

GOVERNMENT CONTRACTING PROGRAMS

The Committee has significant concerns about the ability of the SBA's contracting programs to fulfill their mission. During the last year, GAO has issued scathing reports about the SBA's administration of its major procurement authorities. These reports highlight the SBA's inability to conduct basic program monitoring tasks and devote sufficient resources to protect taxpayer funds. At the same time, the agency was ill-equipped to provide small firms with the assistance they needed to secure stimulus-related contracts under ARRA. This has resulted from a decade-long reduction in agency procurement professionals, which the current administration has continued. In light of these two developments, the Committee believes that the SBA is falling well short of its statutory obligations to small businesses seeking federal procurement assistance.

Procurement Center Representatives (PCRs)

Due to P.L. 111-5, the American Recovery and Reinvestment Act of 2009, the PCR function is now more critical for small business contracting programs. The level of complaints received by the Committee about contract bundling, consolidations and expanded task orders has risen dramatically, closing small businesses out of an increasing number of contract opportunities. PCRs help break up agency preferences for creating huge contracts which are beyond the capacity of small businesses.

For FY 2011, the permanent number of PCRs should be expanded to 75. Sufficient travel funds should also be made available so that PCRs can monitor contracts that are regional or national in scope. For these purposes, the Committee recommends an appropriation of $8 million.

Commercial Marketing Representatives (CMRs)

Commercial Marketing Representatives (CMRs) should be reviewing every major contract to ensure that opportunities are made available for small businesses. They also are supposed to ensure that subcontracting plans required by law are followed. A previous SBA Inspector General report showed that CMRs are able to only review a fraction of the contracts they should. History has shown that contract officers of the various agencies are not highly motivated to follow up and monitor prime contract performance on subcontract goals.

To address these deficiencies, the Committee recommends an appropriation of $5 million so that the SBA can employ a minimum of 40 CMRs. For FY 2011, CMRs should review contracts contained in P.L. 111-5, the American Recovery and Reinvestment Act of 2009 for small business opportunities.

8(a) Program

The Committee supports the total administrative funding level of $66.4 million requested by the SBA for the 8(a) program. This level of funding is a substantial increase for the second year in a row and will support the program's participants, address critical management functions and the increased operations of the field staff in support of these

objectives. The program requires such support in the field to oversee the operation of the program and to provide more surveillance and assistance to an increased number of participants. By the end of FY 2010 and into FY 2011 the SBA will be putting in place a system for improved regulatory oversight for 8(a). Finally, for FY 2011, the SBA needs to make an effort to provide special assistance to identify and secure 8(a) contracts for work under ARRA which will be in its last year in FY 2011.

7(j) Program

The 7(j) program is vital to the operation of the 8(a) program particularly at a time when participation has increased dramatically and when 8(a) oversight and assistance from participating agencies is questionable. SBA has addressed problems with its 7(j) contractor selection and engaged a variety of contractors to cover different portions of the technical advice offerings. For FY 2011, the SBA has requested a funding level of $3.4 million for the 7(j) program, which is the same level as FY 2010, but $1 million above the FY 2009 level. The Committee supports the requested level of funding for the program particularly in view of the substantial changes in the regulatory structure of the program that will be implemented in late FY 2010 and FY 2011. This funding level also assures assistance to 8(a) participants that are participating in contracts under the American Recovery and Reinvestment Act (PL 111-5) programs.

HUBZone Program

As noted above, this program has had significant problems since its inception. In 2003 the SBA's Inspector General (IG) expressed concern about contracting fraud in the program. In 2006 an SBA IG audit of the HUBZone program found 56 percent of companies ineligible. Eighty percent of the companies approved for the program were found ineligible within three years; in other words, the longer businesses were involved in the program, the less likely they were to remain eligible. In 2008, the GAO found that ineligible businesses easily "qualified" to win contracts under the program and received more than $100 million in contracts at the expense of other qualified small businesses. In some cases, these businesses continued to receive HUBZone contracts even after SBA declared them ineligible due to a formal protest proceeding.

The Committee remains concerned that the program places taxpayer funds at substantial risk of fraud and abuse. It is particularly troubling that the evidence suggests mature HUBZone businesses become more adept at "gaming" the system and can ignore government determinations with impunity. GAO reports showed that agency contract officers have very little incentive to ascertain program compliance. To gain control of the program, SBA would have to substantially redeploy assets to perform additional certifications, verifications, and continuous monitoring. Although the SBA has promised a complete re-engineering of the program, 18 months after such promises, very little tangible evidence of improvement is available.

On January 1, 2010, a Committee audit revealed that ineligible companies were still deemed eligible for the HUBZone program. Unless the agency makes a more concerted effort to address the very serious problems plaguing this program and demonstrates

tangible results, the Committee continues to believe that the program should be terminated.[9]

Service-Disabled Veteran-Owned Small Business Program

The GAO reviewed the program in 2009 for its potential for fraud and misrepresentation of eligibility to participate in the program. In the 10 test cases selected and studied, it was found that tens of millions of dollars of contracts were given to ineligible firms, including some that had been found ineligible in previous SBA challenges. The Committee is concerned that the SBA is not taking sufficient responsibility to oversee and manage this program, even though the statutory authority for this program is vested in the agency. To this point, SBA's budget proposal contains no specific plans or resources to make improvements to this initiative.

OFFICE OF TECHNOLOGY

The Committee supports the SBA's request for $2 million in new funds for SBA's portion of an interagency collaborative effort to improve the Small Business Innovation Research (SBIR) program. This would include improved data collection and outreach efforts as well as efforts to improve commercialization of award winning items. The budget should specify that a portion of this funding should include new funds allocated to the Office of Technology that operates the Rural Outreach and the Federal and State Partnership programs, which are essential to creating entrepreneurial opportunities in rural states. The office should be seeking out methods to increase the flow of capital to the types of high-growth, innovation-driven businesses that participate in the SBIR program.

Finally, the Committee is disappointed that the SBA has failed to promulgate regulations to permit venture capital-backed small businesses to be able to fully participate in the SBIR program. Without the participation of venture-backed companies, the SBIR program has become little more than corporate welfare for marginal companies who are unable to secure external market-based funding.

OFFICE OF THE NATIONAL OMBUDSMAN

The Office of the National Ombudsman provides a listening platform for small businesses. Through its system of Regional Regulatory Fairness Boards, it screens and pursues complaints about the regulatory process that impact the bottom line of small business owners. For FY 2011, the SBA, which appoints the head of this office, has requested a small increase in the office's funding level.

OFFICE OF ADVOCACY

Advocacy was established by Congress to provide an independent voice for small business in the formation of public policy across the entire federal government. Advocacy also has funds available for independent, external research that focuses on

[9] Committee recommendation #6 pursuant to section 321 of the fiscal year 2009 congressional budget, S. Con. Res. 70 to root out waste, fraud, and abuse, and improve governmental performance.

small business trends, characteristics, and contributions to the economy. The Committee remains concerned that the administration has not yet filled the Chief Counsel position within Advocacy, leaving small businesses without a powerful representative in the regulatory process.

INSPECTOR GENERAL

Unfortunately, the Office of the Inspector General is the fastest growing division of the SBA. For FY 2010, this office has requested and received 12 new FTEs. For FY 2011, it has requested six new FTEs, equal to the number requested by all other areas and offices of the SBA. Part of this is necessary for this office's increased duty in monitoring and auditing disaster assistance and in monitoring participation and reporting connected to the American Recovery and Reinvestment Act. For FY 2011, this office has requested $19 million in funding, a 10 percent year-over-year increase.

CONCLUSION

The Administration's FY 2011 budget for the SBA provides an adequate funding baseline for the agency to carry out its core functions. This level of funding will not enable the agency to expand its services, which is necessary during the current period of high unemployment and economic uncertainty. In addition, several proposals could adversely affect small firms by increasing the cost of capital or curtailing services to entrepreneurs. Going forward, the Committee will work to address these shortcomings and craft an SBA budget that meets the needs of small businesses, while ensuring that scarce taxpayer resources are efficiently used. Thank you for your consideration of the Committee's views on this important matter.

With respect,

Nydia M. Velázquez
Chairwoman

NYDIA M. VELAZQUEZ, NEW YORK
CHAIRWOMAN

SAM GRAVES, MISSOURI
RANKING MEMBER

Congress of the United States
U.S. House of Representatives
Committee on Small Business

2361 Rayburn House Office Building
Washington, DC 20515-6315

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
United States House of Representatives
309 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt:

I am writing to advise you of the minority's objections to the views and estimates on the President's Fiscal Year 2011 budget adopted by the Committee on Small Business at a full committee meeting on March 4, 2010. The proposed budget is inadequate to provide necessary capital to small businesses while requesting additional sums for poorly defined management and administrative improvements. In addition, the budget shortchanges those areas where the Small Business Administration (SBA) can be of most utility to America's entrepreneurs. Finally, the budget document provided by the President continues on an economic path that simply remains unsustainable. As long as massive budget deficits and looming growth of federal regulatory initiatives, small businesses simply will not have the confidence or impetus to expand and create the jobs needed to grow the economy.

Since we last wrote to the Committee in March of 2009, unemployment has skyrocketed to over 10 percent and hundreds of thousands of others have simply given up hope and left the labor market entirely. The budget deficit continues to soar, sovereign debt of some nations are rated no better than junk bonds, and commercial real estate markets totter on the precipice. Despite this financial maelstrom swirling about small business, the President and the budget is counting on America's entrepreneurs to navigate us through these difficult times. Yet, the budget for the SBA misallocates funds in such a fashion that America's entrepreneurs will be better off being left to their own devices rather than finding any useful assistance from the agency.

Access to Capital

Access to capital remains one of the most pressing concerns for small business owners. Without a functioning credit market, small businesses have no ability to invest or hire

employees. Efforts so far to resuscitate the credit markets have been abysmal failures. Financial institutions that have received billions in federal assistance do not lend to small businesses; community financial institutions that are willing to lend do not have functioning secondary markets in which to sell loans so they can replenish their capital to make new loans.

The budget must provide for a means by which small businesses obtain access to needed capital. The SBA must focus its attention, as a guarantor of last resort, on ensuring that its lending markets are operating at peak efficiency. Of course, an efficient SBA loan operation includes appropriate oversight of its lenders. Unfortunately, the FY 2011 budget continues to ask for increased funds to overhaul the loan monitoring system. This project received substantial resources in the American Recovery and Reinvestment Act and the FY 2011 budget asks for even more resources. Given the fact that this has been a longstanding problem and project at the agency, it seems that an overhaul of the management of the project is needed instead of increased budgetary allocations. Simply throwing money at a project that has taken too long will not increase the likelihood that a workable loan management system ever will be devised.

To be sure, the FY 2011 budget doubles the funds allocated to the SBA's largest lending program – the 7(a) guaranteed loan program. We are concerned, however, that such funds may be insufficient to meet the needs of borrowers. One of the critical assumptions in the budget is that Congress will authorize larger loans and those loans will provide additional fee income to cover the cost of loans made in FY 2011 as required by the Federal Credit Reform Act. However, if Congress fails to act on larger loans or the number of such loans is less than anticipated, the fee income will be inadequate. This will necessitate reducing the lending authority of the 7(a) loan program through reduction in loan sizes or limiting the number of loans. Neither eventuality will help small businesses create jobs if they are unable to obtain capital.

The potential inadequacy in the allocation of resources to fund 7(a) loans represents is dwarfed by the much greater problem of burgeoning federal debt. As the past few years have demonstrated, the capital markets are global in nature and all borrowers, whether it is the United States, General Electric or Instant-Off, Inc. of Tampa, FL, compete for capital. There is little doubt that in this global quest for capital, America's small businesses cannot compete against large firms like General Electric and certainly have no ability to match the borrowing power of the federal government. Yet, the voracious demand for funds by the federal government as expressed in the FY 2011 budget will siphon off the global supply of capital that is available to small businesses. This represents the most insidious type of tax of all – increasing the interest costs faced by small business owners as they try to expand and create jobs. An increase in the federal deficit will have significant detrimental consequences on the ability of small businesses to raise capital. Yet, the budget freeze does little to reduce overall reductions in the federal deficit.

Regulatory Environment

Studies by the Office of the Chief Counsel for Advocacy of the United States Small Business Administration reveal that small businesses are disproportionately burdened by federal regulatory regime. These enterprises have neither the financial or personnel wherewithal to follow the perambulations of the federal bureaucracy. This is especially true in these troubled economic times. Every dollar that is spent on trying to comply with an opaque federal regulatory structure means one less dollar that the small business has to invest in its operations to increase employment. Again, that seems counterintuitive to what this economy needs at the moment.

Nothing in the President's budget for FY 2011 suggests an understanding of this regulatory morass facing small businesses. Nor does the President seem to understand the utility of the Office of the Chief Counsel for Advocacy and the benefits that the Office brings to both the regulatory process and the small business community. The President's budget contains a very modest increase for the Office that is being run, not by an independent qualified regulatory expert, but by a member of the Senior Executive Service that reports to and can be reassigned at any time by the Administrator. Given the announcement by EPA recently on a schedule for regulating greenhouse gas emissions and its likely consequence to hundreds of thousands of small businesses, the President's FY 2011 budget demonstrates a lack of understanding of the mission of the Office of the Chief Counsel for Advocacy.

Executive Direction

According to the SBA budget submission approximately $7 million is requested for something called "Executive Direction." Of that amount, $2 million is allocated to existing programs, such as the Office of the Chief Counsel for Advocacy, the Ombudsman, etc. The budget document does not explain how the remaining $5 million will be utilized. One only can assume that these funds will be made available at the discretion of the Administrator for some unknown use. Given the needs of small businesses in the economy and other problems at the SBA, it is unconscionable that the budget would make such a request. We are strongly opposed to such discretionary use of scarce federal dollars that appear to serve no purpose other than some unexplained vision of the Administrator.

Contracting Opportunities

Federal purchases play a significant role in the economy with the government purchasing about $434 billion in goods and services in FY 2010. That will continue to increase with further expansion of the federal government. Providing small businesses greater opportunities to participate in this market is a longstanding goal of Congressional mandates and enables the government to obtain the best value for its tax dollars.

However, the labyrinthine process for obtaining federal government contracts eliminates opportunities for small business to obtain their fair share of this work. The federal government needs to simplify the contracting process while at the same time ensuring greater opportunity for all small businesses. To meet this objective, the SBA needs greater resources, especially additional procurement center (PCRs) and commercial marketing representatives (CMRs).

PCRs are highly trained contracting specialists who review government procurements to determine whether they can be modified[1] to increase the probability that small businesses will be successful in obtaining government contracts. The FY 2011 budget only provides for the hiring of two additional PCRs. That simply is inadequate to cover all the major buying centers within the federal government. CMRs provide assistance to small businesses by finding appropriate opportunities for small businesses to act as subcontractors to federal prime contractors. Nothing in the FY 2011 budget provides for additional CMRs.

This oversight is particularly troubling in light of the allocation of $5 million for some undefined "Executive Direction." Those funds easily could hire an additional 30 to 40 PCRs and CMRs. Those individuals would have a greater effect on small business growth than funds allocated for "Executive Direction." Even if funds are not used to hire additional PCRs and CMRs, the SBA should undertake reorganization so that existing agency personnel are properly trained and reassigned to the positions of PCR and CMR.

Entrepreneurial Development

The FY 2011 budget requests funds for Small Business Development Centers (SBDCs), but also requests that those funds be distributed without regard to the funding formula in section 21 of the Small Business Act. That is unacceptable. The funding formula for SBDC grantees represents a longstanding political compromise that balances the needs of all states for access to the vital services provided to entrepreneurs by SBDCs. Granting the SBA the authority to ignore that compromise will create chaos as state grantees expend time and resources jockeying for funds from the Administrator rather than devoting them to the needs of America's entrepreneurs.

The FY 2011 budget also calls for the Administrator to use $11 million of SBDC funds be allocated to a special program for SBDCs to create industry clusters similar to Silicon Valley or the Rte. 128 technology corridor outside of Boston. There is little evidence that the government can play a prime role in the development of such clusters.[2] Nor is there any evidence that the pilot program upon which the request was made succeeded in creating a robotics cluster in Michigan. Finally, if the Administrator believes that some type of special SBDC program should be established for the development of clusters, the Administrator should make that legislative proposal so the Committee can consider it

---

[1] Specifically, PCRs focus on whether government contract proposals are improperly bundled to prevent small businesses from successfully bidding on such contracts.

[2] *See* M. PORTER, THE COMPETITIVE ADVANTAGE OF NATIONS 617 (1990) (noting that governments do not control competitive advantages of geographic regions).

within the context of the entire SBDC program rather than slice off a portion of funds to be distributed as the Administrator sees fit.

Conclusion

Expensive government does not necessarily translate into sound government. The Committee adopts that approach in its views and estimates letter. We fundamentally disagree, and believe that rational management and innovative thinking may enable the SBA to do more under the constraints of limited budgets. Nor do we find that it is appropriate to allocate funds that the Administrator can dispense without any statutory framework.

More importantly, we disagree with the approach of the budget because it will not provide small businesses with increased access to capital, reduce their regulatory burdens or improve their access to government contracting opportunities. Despite rhetoric of the importance of entrepreneurs, the FY 2011 budget fails to deliver for America's small businesses. Instead, it continues to expand the role of government and increase costs on these businesses, unnecessarily fettering their capacity to create new jobs needed by Americans.

Sincerely,

Sam Graves
Ranking Republican Member

Roscoe G. Bartlett

W. Todd Akin

Steve King

Lynn A. Westmoreland

Louie Gohmert

Mary Fallin

Vern Buchanan

Blaine Luetkemeyer

Aaron Schock

Glenn Thompson

Mike Coffman

U.S. House of Representatives
Committee on Transportation and Infrastructure
Washington, DC 20515

James L. Oberstar
Chairman

David Heymsfeld, Chief of Staff
Ward W. McCarragher, Chief Counsel

John L. Mica
Ranking Republican Member

James W. Coon II, Republican Chief of Staff

March 4, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
207 Cannon House Office Building
Washington, D.C. 20515

The Honorable Paul Ryan
Ranking Member
Committee on the Budget
B71 Cannon House Office Building
Washington, D.C. 20515

Dear Mr. Chairman and Mr. Ranking Member:

As required by section 301(d) of the Congressional Budget Act and clause 4(f) of Rule X of the Rules of the House, the Committee on Transportation and Infrastructure transmits its Views and Estimates for the fiscal year (FY) 2011 Budget Resolution. On March 3, 2010, the Committee on Transportation and Infrastructure met in open session and adopted the enclosed FY 2011 Budget Views and Estimates by voice vote with a quorum present. In addition, the Committee encloses statements by Ranking Member Mica and Coast Guard Subcommittee Chairman Cummings for your consideration.

Thank you for the opportunity to present these Views and Estimates. We look forward to working with you to meet our nation's transportation and infrastructure investment needs, as well as the other needs discussed in the enclosed report.

Sincerely,

James L. Oberstar, M.C.
Chairman

John L. Mica, M.C.
Ranking Member

Enclosure

VIEWS AND ESTIMATES OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE FOR FISCAL YEAR 2011

Overview

The Committee's legislative priorities this year include authorization of surface transportation programs; reauthorization of the Federal Aviation Administration (FAA), the Economic Development Administration (EDA), selected provisions of the Clean Water Act and the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the Coast Guard, and the Federal Emergency Management Agency; and enactment of a water resources development act.

Transportation Investment Leads to Economic Growth

Increased investment in transportation infrastructure has far-reaching effects on our nation's economy, our competitiveness in the world marketplace, and the quality of life in our communities. Each day, every American and every business will benefit from such investment by experiencing shortened travel times, increased productivity, and improved safety.

Throughout our nation's history, economic growth, prosperity, and opportunity have followed investments in the nation's infrastructure. From the "internal improvements" of the early 1800s – canals, locks, and roads – to the Interstate Highway System of today, infrastructure investment has been our foundation for economic growth. For example, between 1980 and 1991, almost one-fifth of the increase in productivity in the U.S. economy was attributable to investment in highways.[1]

Our nation's highways, transit and rail systems, pipelines, airlines, airports, harbors, and waterways not only provide the backbone of our economy by moving people and goods, they also employ millions of workers and generate a significant share of total economic output. In 2008, transportation-related goods and services contributed $1.38 trillion, or 9.5 percent, to the total U.S. Gross Domestic Product of $14.44 trillion. Economic growth and vitality are also dependent upon high quality water and wastewater infrastructure systems.

In addition to facilitating economic growth and global competitiveness, our transportation system has a direct and significant impact on the daily lives of nearly all Americans. To the average American, higher Federal investment in transportation infrastructure will mean:

- Shorter commutes that save time, fuel, and reduce pollution.
- Better access to work, school, health care, and recreation.

---

[1] "Transportation and the Economy: National and State Perspectives," American Association of State Highway and Transportation Officials, May 1998.

- Lives saved – many of the more than 37,000 highway fatalities each year could be prevented by building better roads and improving the safety features of existing roads.
- Safer systems to accommodate the transportation of hazardous materials, estimated at 1.2 million daily movements and 3 billion tons of regulated hazardous materials transported each year.
- Safer technologies to prevent passenger and freight train collisions, such as the tragic rail accident in Chatsworth, California, in 2008.
- Fewer delays for the more than 700 million passengers who travel by air each year.
- Facilities to accommodate the increased number of air passengers projected to travel in the future.
- River and harbor channel depths that can accommodate the efficient movement of consumer goods from domestic and foreign trade.

Despite the importance of transportation to both our economy and the quality of life in our communities, many of our nation's transportation infrastructure needs are going unmet. This has resulted in, among other things, an alarming increase in congestion.

Congestion Crisis

Congestion is a major national problem. In February 2004, a highway organization study found that the number of severe highway bottlenecks had increased by 40 percent in the past five years. In 1999, 167 major highway bottlenecks located in 30 States and the District of Columbia were identified. Using the same methodology, the number of bottlenecks grew to a total of 233 in 2004, located in 33 States and the District of Columbia.

According to the Texas Transportation Institute's 2009 Urban Mobility Study, traffic congestion in the Nation's 439 urban areas leveled off in 2007 as high gas prices brought about a slight reduction in traffic. However, congestion remains significant and will likely continue growing once the economy rebounds.

Over time, both the severity and the duration of congestion have increased. In 1982, extreme or severe congestion occurred during just 11 percent of peak period travel. In 2007, extreme or severe congestion occurred during 30 percent of peak period travel.

The extra time needed for rush hour travel has nearly tripled since 1982. The average Travel Time Index for the nation's urban areas in 2007 was 1.25 (meaning a trip during rush hour took 25 percent longer than the same trip during free-flowing travel conditions). The average in 1982 was only 1.09. Thirty-four urban areas now have a Travel Time Index above 1.20, compared with only one such area in 1982.

Congestion imposes a high cost both on our economy and on motorists. In 2007, traffic congestion cost urban motorists $87.2 billion in terms of wasted time and fuel, compared to $87.1 billion in 2006, and just $6.7 billion in 1982.[2] This cost equates to an average annual cost per traveler of about $757 in 2007, down slightly from $758 in 2006, but

[2] In constant 2007 dollars.

up significantly from $290 in 1982. The hours of delay and gallons of fuel consumed due to congestion are only the elements that are easiest to estimate. The effect of uncertain or longer delivery times, missed meetings, business relocations and other congestion impacts are not included in this estimate.

The uncertain and longer delivery times caused by congestion are a serious problem for freight transportation. The vast majority of freight is transported via truck. Over the last two and a half decades, the volume of freight has grown dramatically. Highway system improvements have not kept pace with this growth. For example, between 1980 and 2008, truck vehicle-miles traveled more than doubled, while roadway lane-miles increased by only 7.1 percent.

According to the Federal Highway Administration (FHWA), the demand for freight transportation will continue to increase in the future. Over 19 billion tons of freight worth more than $13 trillion was transported in 2002. Roughly two-thirds of this freight was transported by truck. By 2035, freight volumes are expected to almost double and the value of shipments is expected to grow to nearly $42 trillion. Assuming no changes in highway capacity, the FHWA estimates that increases in truck and passenger vehicle traffic will expand recurring, peak-period congestion to 40 percent of the National Highway System (NHS) in 2035, compared with 11 percent in 2002. This will slow traffic on nearly 20,000 miles of the NHS and create stop-and-go conditions on an additional 45,000 miles.

Congestion negatively impacts our environment, as well, by increasing emissions and wasting fuel. Vehicles in stop-and-go traffic emit more pollutants – particularly carbon monoxide and volatile organic compounds – than they do when operating without frequent braking and acceleration. In 2007, traffic congestion in the nation's urban areas wasted an estimated 2.8 billion gallons of fuel.

Perhaps most importantly, reducing highway congestion would save lives. If modest improvements were made to improve the traffic flow at the 233 severe bottlenecks identified in the highway organization study discussed above, the number and severity of vehicle crashes would be lessened. Over the 20-year life of the projects, such improvements would prevent more than 449,500 crashes, including some 1,750 fatalities and 220,500 injuries.

Although the slowing economy and the terrorist attacks of September 11, 2001, temporarily reduced aviation congestion beginning in 2001, the number of air travelers subsequently rebounded and reached a new record-high in 2007. With the rebound in airline travel, the number of delayed flights increased. In 2007, travelers experienced the highest number of delayed flights -- 1.8 million -- in the 13 years since the Department of Transportation (DOT) has collected such data. The economic recession that began in December 2007 subsequently weakened demand for air travel once again, and the number of delayed flights declined to 1.5 million in 2008 and 1.2 million in 2009.

Although the demand for air travel fluctuates over the business cycle, it is generally forecast to increase over time, with continued population and economic growth. Absent aviation system capacity improvements, delays will continue to increase in the future. Delays at large hub airports have persisted even with the drop in overall system congestion. These delays ripple throughout the National Airspace System, causing system-wide impacts.

Infrastructure Investment Needs

To alleviate congestion and reap the economic benefits of an efficient transportation system, our transportation infrastructure needs must be met. These needs, which are discussed in more detail later in this document, are significant:

- $105.6 billion a year just to maintain highways and bridges at their current conditions, or $174.6 billion a year to improve conditions.
- $15.1 billion a year just to maintain transit systems at the current condition and performance, or $21.1 billion a year to improve conditions and performance.
- $18.9 billion a year in airport capital needs.
- Over $3 billion per year to meet the capital needs of the Federal Aviation Administration, including modernization of the air traffic control system.
- Between $11-12 billion over the next nine years to bring the Northeast Corridor to a state-of-good-repair (including backlog, growth, and trip time improvements) and for other improvements to the national rail passenger transportation system, including equipment replacement.
- $162 billion over the next 20 years to re-establish the national intercity passenger rail and high-speed rail network.
- $39 billion over the next 26 years to expand capacity on our nation's Class I freight railroads.
- $13 billion over the next 26 years to upgrade shortline and regional railroads to accommodate heavier rail cars and meet demand.
- $35 billion over the next ten years to fund cumulative capital improvement needs at the nation's largest public ports.
- $7.5 billion to finish currently authorized inland waterway construction needs.

The nation's commercial shipping ports, which handle 95 percent of our international trade, face severe access problems on both the waterside and landside. With more than two billion tons of cargo valued at more than $2 trillion moving through our ports and waterways annually, we must ensure adequate infrastructure to meet the growing demands of international trade. Investments of at least $3.5 billion per year are needed by Federal and nonfederal sources to improve ports and keep pace with the growth of commerce.

The nation's inland waterways contain a series of outdated and antiquated locks and dams that, unless rehabilitated or improved, will continue to hinder the movement of coal, grain, and other bulk products. Close to 55 percent of the lock chambers on the system have exceeded their 50-year design lives. With the use of the aging inland waterway system expected to increase, including through expanded use of short-sea shipping, delays are likely to continue to rise.

Currently authorized construction needs for the inland waterway system are valued at $7.5 billion, but we are currently investing at a pace that will see us falling further behind these needs. Additional investment of hundreds of millions of dollars will be needed each

year for modernization and replacement of the nation's locks and dams to meet the demands on the inland waterway system.

Our wastewater infrastructure also is facing substantial funding needs in order to meet and maintain clean water restoration goals. Communities throughout the United States continue to struggle financially to meet their ever-increasing wastewater treatment infrastructure needs. The Environmental Protection Agency (EPA) has reported that a failure to increase investment in wastewater treatment infrastructure would erode many of the water quality achievements of the past 30 years.

The nation's failure to adequately restore and maintain the integrity of its waters can have devastating effects on the economy. Cities and towns, commercial fishing and shellfish harvesting, tourism, recreation, and many sectors of industry rely on the availability of clean, safe water supplies.

Estimates of the nation's clean water infrastructure needs over the next 20 years exceed $400 billion. The needs are especially urgent for areas trying to remedy the problem of combined sewer overflows and sanitary sewer overflows and for small communities lacking sufficient independent financing ability. Drinking water infrastructure needs are estimated at nearly $500 billion over the next 20 years. Current spending by all levels of government is one-half of the estimated needs. Increased investment by Federal, state, and local governments, as well as by the private sector, will be needed to close the gap between current spending and projected needs.

The Federal Government is continuing to under-invest in its wide variety of buildings and facilities that house Federal employees, the judiciary, and cultural institutions. The General Services Administration (GSA)-controlled inventory of existing Federal buildings is aging and requires extensive repair and renovation to ensure that Federal employees are housed in safe, modern facilities. These GSA-controlled facilities have a functional replacement value of $41 billion, and an estimated backlog exceeding $7 billion to repair and modernize existing Federal buildings. Similarly, the Smithsonian Institution estimates its repair and alteration backlog to be in excess of $2.5 billion. Funding provided by the American Recovery and Reinvestment Act of 2009 (Recovery Act) (P.L. 111-5) will partially address these backlogs. Specifically, the Recovery Act provided GSA with $5.55 billion in funds for repair, alteration, and construction of Federal buildings, courthouses, and border stations, with a focus on energy efficiency and conservation. The Recovery Act also provided an additional $25 million for repair and alteration of the Smithsonian's facilities. However, even with this additional funding, many buildings are having basic repair needs delayed or derailed. Delaying these necessary repairs threatens the missions of the agencies that occupy this space.

Transportation Trust Funds

To help meet some of the infrastructure investment needs discussed above, Congress established a series of trust funds to collect user fees and invest those funds in capital improvements and maintenance. These funds include the Highway Trust Fund, the Airport and Airway Trust Fund (Aviation Trust Fund), the Inland Waterways Trust Fund, and the Harbor Maintenance Trust Fund. Each of these trust funds invests dedicated user

fee revenues in infrastructure programs to finance long-range construction and maintenance activities that benefit from the funding certainty provided by the trust funds.

Recently, increased fuel prices and the economic recession have resulted in lower than anticipated trust fund revenues. Despite the recent downturn, the trust funds still remain an important source of funding for our infrastructure investments.

One of this Committee's highest priorities is to ensure that the user fees deposited into these trust funds are in fact used for their intended purposes – to rebuild our nation's infrastructure. These trust funds represent a contract between the government and the user. This contract specified that certain user fees would be levied on the users of highways, airports, inland waterways, and ports. In return, the government pledged to use the receipts to build transportation infrastructure for the taxpayer's use.

While recent surface and aviation reauthorization acts have upheld the contract for the Highway and Aviation Trust Funds, the two remaining funds face unique challenges for addressing both the Inland Waterways and Harbor Maintenance needs of the nation. The Inland Waterways Trust Fund balance by the end of fiscal year (FY) 2010 is estimated to be $23 million, at the same time that authorized Inland Waterways construction needs are estimated at $7.5 billion. The Harbor Maintenance Trust Fund balance at the end of FY 2010 is estimated to be $5.519 billion, at the same time that currently authorized harbor maintenance needs are not being met.

Similar to the reforms achieved for the Highway and Aviation Trust Funds, the full receipts and balances of the Inland Waterways and Harbor Maintenance Trust Funds should be made available to serve their intended purpose – meeting our infrastructure needs.

Extension of Spending Caps and Budget Process Reforms

Given the Transportation and Infrastructure Committee's commitment to achieving budget reforms for the transportation trust funds, other budget process legislation, including any extension of the discretionary spending caps, is of significant interest to this Committee.

The Transportation and Infrastructure Committee would strongly oppose any effort to reinstate the discretionary spending caps in a manner that fails to recognize the unique nature of Trust-Funded programs, or negatively impacts the traditional funding guarantees that have been established for highway, transit, and aviation programs.

Waste, Fraud, Abuse, and Improving Governmental Performance

Pursuant to section 425 of the FY 2010 congressional budget resolution, S. Con. Res. 13, the Committee submits the following recommendations regarding waste, fraud, and abuse, and improving governmental performance.

Implementation of American Recovery and Reinvestment Act of 2009

The American Recovery and Reinvestment Act of 2009 (P.L. 111-5) (Recovery Act) provided $64.1 billion for programs within the jurisdiction of the Committee on

Transportation and Infrastructure. Oversight of the use of these funds has been a major focus of the Committee over the past year.

The Committee has held 15 oversight hearings on the Recovery Act since October 2008, including eight Full Committee hearings and seven subcommittee hearings. These 15 hearings included a total of 117 witnesses and spanned over 61 hours. The breadth of witnesses included Ray LaHood, Secretary of the U.S. Department of Transportation (DOT) and Lisa Jackson, Administrator of the U.S. Environmental Protection Agency (EPA), as well as other Federal, State, and local government officials, and private industry leaders actively engaged in implementing the Recovery Act.

To assist in its oversight of Recovery Act programs, the Committee wrote to Governors, Metropolitan Planning Organizations, and transit agencies who are direct recipients of funds under the Recovery Act to request expedited and additional reporting on the use of Recovery Act funds, beginning in April 2009 and continuing monthly thereafter. Letters were sent to the 50 Governors of the United States, the Mayor of Washington, DC, and the Governors of American Samoa, Guam, Northern Mariana Islands, Puerto Rico, and the Virgin Islands. In addition, letters were sent to 156 Metropolitan Planning Organizations for transportation management areas (areas with populations greater than 200,000 people) and 256 major public transit agencies (areas with populations greater than 200,000 people) that directly receive Federal-aid highway and public transit funding under the Recovery Act. The information requested by the Committee goes beyond the transparency and accountability requirements of the Recovery Act, and has enabled the Committee to track more closely the implementation and use of Recovery Act funds.

In an effort to spur improved performance, the Committee has periodically issued rankings of the best and worst performing States in utilizing Recovery Act funds, based on the information reported to the Committee. Additionally, in August and October of 2009, the Committee wrote letters to the Governors of the best and worst performing States in utilizing Recovery Act highway formula funds. In November 2009, the Committee wrote letters to the Governors of the best and worst performing States in utilizing wastewater infrastructure Recovery Act funds.

In 2010, the Committee will continue to monitor closely the implementation of transportation and infrastructure provisions of the Recovery Act to ensure that the funds are invested quickly, efficiently, and in harmony with the job-creating purposes of the Act.

Leasing of Federal Office Space

In most circumstances, the use of long-term leases to satisfy the need for Federal office space is a wasteful use of appropriated funds, because such leases are typically more expensive than Federal construction. The current guidelines for the budgetary treatment of leases, which have been in place since 1991, require the full cost of a capital lease or lease-purchase to be scored up-front, rather than on an annual basis. This scoring rule has had the unintended and undesirable effect of forcing GSA into using long-term operating leases, which contain no ownership option, to meet Federal office space requirements. Under the current scoring rule and budget constraints, more cost-effective options, such as lease-purchase, cannot be considered; rather, GSA is left with just two options for meeting the

Federal Government's office space needs – either direct appropriations or long-term leases. Due to budget constraints, direct appropriations are often not a viable option, resulting in the inefficient use of long-term leases.

The Federal Buildings Fund depends on the rent payment by agencies in government-owned space, which then allows GSA to construct, maintain, and repair buildings in the Federal inventory. Recent trends toward leasing buildings has led to a steady shrinking of the Federal Buildings Fund, which in turn limits the Federal Government's ability to not only maintain its inventory of buildings and facilities but also generate funds for new Federal construction to house Federal employees. This "leased-to-owned" ratio trend presents a distressing portrait of the condition of an essential government function.

The Government Accountability Office's (GAO) work over the years has shown that building ownership often costs less than operating leases, especially for long-term space needs. For example, in 1995, GAO reported in GAO/T-GGD-95-149 that 55 of 73 operating leases that GSA had entered into cost a total of $700 million more than construction. In 1999, GAO reported in GAO/GGD-99-49R that, for eight of nine major operating lease acquisitions that GSA had proposed, construction would have cost less than leasing and saved the Federal Government $126 million over 30 years. In 2005, GAO testified that, for the Patent and Trademark Office's long-term requirements in northern Virginia, the cost of an operating lease was estimated to be $48 million more than construction and $38 million more than lease-purchase of the necessary office space. Similarly, GAO estimated that the U.S. Department of Transportation building in Washington, D.C., would have cost $190 million less to construct than to enter into an operating lease. In 2008, GAO reported in GAO-08-197 that for four of seven GSA building leases GAO examined, leasing was more costly over the long-term than construction – by an estimated $83.3 million over 30 years.

According to GAO, the current practice of relying on costly leasing to meet long-term space needs results in excessive costs to taxpayers and does not reflect a sensible or economically rational approach to capital asset management. If GSA's budget cannot be increased such that it can accommodate the up-front scoring rule while still meeting the space needs of the Federal Government, then the Committee recommends that GSA be authorized to acquire Federal space through lease-to-ownership leases, without up-front scoring, if such a lease-purchase is more cost-effective than an operating lease.

Emergency Management

The Committee recognizes the inherent tension between providing disaster relief in an expeditious manner while at the same time minimizing waste, fraud, and abuse. Nevertheless, the Committee expects the Federal Emergency Management Agency (FEMA) to fulfill its obligation to be a good steward of the public's funds and trust. The Committee recognized the importance of this issue when it passed the Post-Katrina Emergency Management Reform Act of 2006, which includes Subtitle F, "Prevention of Waste Fraud and Abuse" (6 U.S.C. 791 -797). In 2007, the Committee continued to provide oversight to prevent waste, fraud, and abuse by holding the following oversight hearings to examine whether FEMA was carrying out these duties: "Post-Katrina Temporary Housing: Dilemmas and Solutions" (March 2007); and "FEMA's Emergency Food Supply System" (April 2007).

In addition, in the 111th Congress, the Committee has examined FEMA's operation of the Integrated Alerts and Public Warnings System (IPAWS), which is authorized under section 202 of the Stafford Act. Two hearings of the Subcommittee on Economic Development, Public Buildings and Emergency Management have raised questions as to whether FEMA is effectively implementing this program to deliver critical messages to the nation in times of disaster or crisis and whether FEMA is effectively using the resources provided to accomplish this mission. Those hearings were "Assuring Public Alert Systems Work" (June 2008) and "This is NOT a Test: Will the Nation's Emergency Alert System Deliver the President's Message to the Public?" (September 2009) .

The Committee will continue its vigorous oversight of FEMA's disaster relief program and emergency management operations to ensure the effective use of funds.

Coast Guard Acquisition Reform

The Committee has continued its oversight of Coast Guard acquisitions programs in the 111th Congress. In March 2009, the Committee held a hearing to examine the Coast Guard's current acquisition programs, as well as the policies and procedures the service is implementing to strengthen its management of the entire acquisition process. Specifically, the Committee examined the efforts the Coast Guard has undertaken to respond to the extensive criticisms of the early Deepwater[3] effort and the Rescue 21 program by creating a new Acquisitions Directorate; issuing and continuing to revise a "Blueprint for Acquisition Reform" which guides the acquisition management systems it is building; and extracting Deepwater from the Integrated Coast Guard Systems (ICGS) team and bringing the Lead Systems Integration functions back in-house. During the hearing, Rear Admiral Gary Blore, the Assistant Commandant for Acquisition, also announced that under an agreement signed the morning of the hearing, all options for extending the Deepwater contract with the ICGS team beyond the date of expiration of the current award, January 24, 2011, had been eliminated.

Last year, the House passed H.R. 1665, the "Coast Guard Acquisition Reform Act of 2009". H.R. 1665 strengthens Coast Guard acquisition management processes and establishes personnel-related standards and policies for individuals in the Coast Guard's acquisition workforce. The legislation responds directly to the acquisition failures during the early years of the Deepwater procurements that led to the expenditure of what the GAO has estimated to be nearly $300 million on projects that were cancelled or subsequently restructured, including $95 million wasted in the failed effort to lengthen 110-foot patrol boats to 123 feet; $119 million wasted on the first effort to develop a vertical unmanned aerial vehicle; and $66 million wasted on the first designs for the Offshore Patrol Cutter and the Fast Response Cutter.

The legislation would require the appointment of a Chief Acquisition Officer who, at the Commandant's choice, can be either a member of the military or a civilian member of

[3] The Deepwater program is the Coast Guard's effort to replace or rehabilitate aircraft and cutters that operate primarily 50 miles offshore.

the Senior Executive Service, but who must be a Level III Program Manager and who must have 10 years of professional experience in acquisition management.

Additionally, the legislation would require that the Coast Guard put in place systems to ensure that it effectively defines operational requirements before initiating acquisition efforts, and that all acquired assets undergo thorough developmental and operational testing to ensure that they will meet mission needs, meet the highest quality standards, and pose no safety risks to Coast Guard personnel.

This legislation would also ensure that the service develops and, critically, maintains the expertise within its workforce that it will need to effectively and efficiently manage acquisition efforts in the future by requiring the service to designate the members of its acquisition workforce and establish career paths in acquisition.

The Committee will continue oversight of the Coast Guard's implementation of the Deepwater procurements.

Hazardous Material Safety Program

The Committee held an oversight hearing on September 10, 2009, to examine concerns with the Pipeline and Hazardous Material Safety Administration's (PHMSA) oversight and management of hazardous material safety in the United States. Prior to the hearing, Committee Majority staff released preliminary findings of a staff investigation of PHMSA which found that PHMSA's performance of its primary safety mission was less than diligent in far too many instances, including oversight and management of its special permits and approvals programs.

The hearing coincided with the release of preliminary findings of a DOT Inspector General's audit of PHMSA which found serious deficiencies in PHMSA's review and authorization of special permits and approvals; coordination between PHMSA and affected operating administrations, the Federal Aviation Administration in particular, before issuing special permits and approvals; and oversight and enforcement of approved parties' compliance with the terms and conditions of special permits and approvals.

The Committee subsequently ordered reported H.R. 4016, the "Hazardous Material Safety Act of 2009", which would address many of the deficiencies found as a result of the oversight investigation and hearing and calls for significant enhancements to the hazardous material safety program through an increase in personnel, including inspectors, training, significant improvements to data collection and analysis, and a more well-defined mission. The legislation also requires PHMSA to: (1) enhance training for emergency responders; (2) issue regulations for the safe transportation of lithium cells and batteries on board aircraft, in coordination with the Federal Aviation Administration; (3) eliminate transportation of flammable materials in external product piping; (4) strengthen the special permits and approvals programs; (5) establish a working group to improve the collection, analysis, and reporting of data related to hazmat transportation accidents; and (6) carry out a hazmat enforcement training program. The legislation also directs the Secretary to increase the number of personnel by 84 full-time employees to carry out PHMSA's important hazardous materials safety mission.

H.R. 4016 proposes $51.3 million for the hazardous material safety program in FY 2011, $10.9 million above the President's Budget request. Without a higher level of funding as proposed in H.R. 4016, it will be difficult for PHMSA to correct the significant deficiencies in its hazardous material safety program which, in turn, could jeopardize safety.

Conclusion

The detailed views and estimates presented below urge that the Congressional Budget Resolution meet the important needs discussed above, to improve our nation's infrastructure and transportation safety and ensure that vital services, such as those provided by the Coast Guard, are maintained. While the cost of meeting our nation's transportation and infrastructure investment needs may seem high, the cost of not meeting them is greater still.

This report was circulated to all Members of the Committee on Transportation and Infrastructure for their review and comment, and was approved in a Full Committee meeting on March 3, 2010. While the report reflects a bipartisan effort, the Committee wishes to emphasize that not all Members of the Committee necessarily agree with every aspect. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

Aviation

Since airline deregulation in 1978, air travel has become an essential form of transportation for much of the nation. The number of commercial air travelers has grown dramatically since then, from 312 million travelers in 1980 to a record-high of 765 million in 2007.

This unprecedented number of air travelers pushed our nation's air traffic control system and over-crowded airports to the brink of gridlock. In 2007, travelers experienced the highest percentage of late arrivals – 24.2 percent – in the 13 years since DOT has collected such data.

Increased fuel costs and a slowing economy caused enplanements to decline in 2008 and 2009, and overall on-time performance improved. However, delays at large hub airports have persisted even with the drop in overall system congestion. These delays ripple throughout the National Airspace System, causing system-wide impacts. Absent further improvements in aviation system capacity and efficiency, delays will likely increase significantly as the number of air travelers rebounds and continues to grow in the future.

FAA Facilities & Equipment

Increased capital investment in our air traffic control system is necessary to increase system capacity and avoid gridlock. These investments have traditionally been funded by the FAA's Facilities & Equipment (F&E) account.

The FAA has embarked upon on a major new Next Generation Air Transportation System (NextGen) program to increase system capacity. In 2007, the interagency Joint Planning and Development Office (JPDO) issued both an Enterprise Architecture and a Concept of Operations for NextGen. These documents provide a high-level blueprint for how to technologically transform the National Airspace System and triple capacity by the year 2025. In January 2009, the FAA issued a mid-term architecture, focusing on objectives through the year 2018. Despite the completion of these documents, the cost of transitioning to the NextGen remains uncertain.

The President's Budget requests $2.97 billion for F&E in FY 2011, an increase of $34 million (1.2 percent) above the FY 2010 enacted level of $2.936 billion. Within the total amount requested for F&E, $1.023 billion is requested for NextGen programs, an increase of $234.5 million (30 percent) above the FY 2010 enacted level of $788.3 million. Relative to the FY 2010 enacted funding level, the FY 2011 request would shift approximately $200 million away from procurement and modernization of en route and terminal facilities, and put it toward Engineering, Development, Test and Evaluation, in support of NextGen programs.

As it makes the investments necessary to develop NextGen, the FAA also needs to properly invest in the maintenance and upkeep of existing infrastructure. A lack of sufficient funding for the F&E program would likely result in continued deferred maintenance and repair of the FAA's existing infrastructure.

To ensure that our nation's air traffic control system remains safe, reliable, and efficient, and is ready to accommodate the significantly increased number of passengers anticipated in the near future, the Committee recommends that the F&E program be funded at no less than $3.353 billion in FY 2011, consistent with the funding level authorized by H.R. 915, the "FAA Reauthorization Act of 2009", as approved by the House last year.

Airport Improvement Program (AIP)

Increased investment in our airport infrastructure is also necessary to maintain a safe and efficient aviation system. The FAA estimates that $49.7 billion of AIP-eligible infrastructure development will be needed between 2009 and 2013 based on the latest National Plan of Integrated Airport Systems (NPIAS) report dated September 30, 2008.

An airport trade association's Capital Needs Survey, conducted in December 2008 - January 2009, estimates that airport capital development costs for AIP-eligible and other necessary projects will total approximately $94.4 billion during the same time frame (2009-2013), an average annual cost of $18.9 billion.

To allow the AIP program to keep pace with inflationary cost increases, and begin to address the investment gap in airport safety and capacity needs, the Committee recommends that AIP be funded at least at $4.0 billion in FY 2010, $4.1 billion in FY 2011, and $4.2 billion in FY 2012, consistent with H.R. 915, the "FAA Reauthorization Act of 2009", as approved by the House last year.

FAA Operations and Maintenance

For FAA's operating costs, the Committee recommends providing at least $10.094 billion for FY 2011, consistent with the authorized funding level in H.R. 915, the "FAA Reauthorization Act of 2009", as approved by the House last year. This is an increase of $301 million (3.1 percent) above the President's Budget request of $9.793 billion. The authorized funding level will allow the FAA to maintain current operations, as well as hire additional aviation safety inspectors and carry out additional airspace redesign initiatives.

Small Community Air Service Development

Inadequate service to small communities has been a concern since airline deregulation. Although the benefits of airline deregulation have been significant, they have not been evenly distributed. In certain small- and medium-sized communities, the lack of competition among airlines has resulted in significantly higher fares. Other small communities lack air service altogether. The Small Community Air Service Development program addresses these problems by helping underserved communities improve their air service through the use of strategies such as marketing support and revenue guarantees.

Demand for this program has far exceeded the funding available. When this program received its initial funding of $20 million in FY 2002, DOT received 179 applications totaling more than $142.5 million from communities in 47 states. The program continued to receive $20 million in each of FYs 2003 through 2005, $10 million in each of FYs 2006 through 2008, $8 million in FY 2009, and $6 million in FY 2010. However, the administration requests no funds for this program in FY 2011. The Committee recommends this program be funded from the General Fund in FY 2011 at the $35 million level authorized in H.R. 915, the "FAA Reauthorization Act of 2009", as approved by the House last year.

Essential Air Service

The financial condition of the airlines, higher fuel costs, and increased regulatory costs have also increased demands on the Essential Air Service (EAS) program over the past several years. Before September 11, 2001, a total of 106 communities required EAS subsidy (32 in Alaska and 74 elsewhere in the United States). As of February 2010, there are 159 communities requiring EAS subsidy (45 in Alaska and 114 in other States), a 50 percent increase compared to 2000. The cost of funding the current array of contracts in FY 2010[4] is approximately $182 million. This does not assume any new communities require subsidy, or any subsidy increases are required as contracts expire and are re-let. To meet increased costs of renewing existing contracts, as well as the cost of providing service to communities

[4] As of February 1, 2010.

that may begin to require subsidy, the Committee recommends EAS be funded in FY 2011 at the $200 million level authorized in H.R. 915, the "FAA Reauthorization Act of 2009", as approved by the House last year.

Coast Guard and Maritime Transportation

The Committee recommends $10.2 billion in FY 2011 for U.S. Coast Guard activities, which is an increase of $346 million (or 3.5 percent) above the total amount enacted for FY 2010 and $623 million (6.5 percent) above the FY 2011 President's Budget. Of this $623 million increase, $308.5 million was requested for Coast Guard operations within the President's Budget request for other agencies. The Committee recommends that this funding be included in the Coast Guard's budget to provide a more accurate accounting of the resources available to the service to carry out its missions.

This recommendation is designed to sustain the Coast Guard's ability to support America's maritime safety, security, and stewardship, interests for FY 2011. A detailed break-out of this recommended funding level by program is provided below.

The Committee believes it is imperative that the Coast Guard receive the resources necessary to protect America while implementing the service's core missions such as search and rescue, marine safety, fisheries law enforcement, drug interdiction, migrant interdiction, aids to navigation, marine environmental protection, and boating safety. Therefore, the Committee makes the following recommendations.

Coast Guard Operating Expenses

The Committee recommends $7 billion for Operating Expenses (OE), an increase of $192 million (2.8 percent) over the FY 2010 enacted level and $346 million (5.2 percent) above the FY 2011 President's Budget. The OE account comprises more than two-thirds of the Coast Guard's budget. Funding from this account supports all of the Coast Guard's missions, including Search and Rescue, Marine Safety, Aids to Navigation, Living Marine Resources, Drug and Migrant Interdiction, Marine Environmental Protection, Other Law Enforcement, Ports Waterways and Coastal Security and Defense Readiness. This funding also covers the costs associated with the Coast Guard's workforce comprised of more than 42,170 active duty personnel, 8,100 reservists and 7,700 civilians.

Approximately $79.983 million of the President's Budget request will be allocated to operation and maintenance funding to support follow on and new costs related to shore facilities and aids-to-navigation, delivery of 18 Response Boat-Mediums, Rescue 21, Nationwide Automatic Identifications System, Defense Messaging System, rescue swimmer training facility, and surface and air asset follow-on.

The Committee's recommendation includes the transfer of $54 million from the National Science Foundation to the Coast Guard for the operation of the Coast Guard Cutters POLAR STAR, POLAR SEA, and HEALY. The Committee's recommendation

also includes the transfer of $254.5 million from the Navy to the Coast Guard for Overseas Contingency Operations.

In contrast to the President's Budget, the Committee recommends restoring the following units and assets that were proposed for elimination:

- Two High Endurance Cutters;
- Five H-65 helicopters; and
- Five Maritime Safety and Security Teams (MSST).

The President's Budget proposed to decrease the Coast Guard's total budget by $35.1 million and the workforce by 773 personnel. Restoring these units and assets will increase the Coast Guard's budget request by $37.7 million and number of personnel by 841.

The Committee recommends restoring funding for two High Endurance Cutters that the President's Budget proposed to decommission, which will increase the budget request by $14 million.

The Committee recommends restoring funding for five H-65 helicopters that the President's Budget proposed to remove from active service, which will increase the budget request by $5.5 million. Hearings last year indicated the Coast Guard needs additional helicopters to deploy in drug interdiction patrols; therefore the Committee recommends increasing the budget request by $5.5 million to keep the helicopters in active service.

The Committee recommends restoring funding for the five Maritime Safety and Security Teams (MSST) the President's Budget proposed to decommission, which will increase the budget request by $18.2 million.

Reserve Training

The Committee recommends $135.7 million for reserve training; an increase of two percent over the FY 2010 enacted level.

Environmental Compliance and Restoration

The Committee recommends $13.3 million for environmental compliance and restoration operations, a one percent increase over the FY 2010 enacted level. This funding will provide the resources necessary to meet the mandated milestones of major cleanup efforts and other environmental restoration needs. Significant increases in this account will be necessary in future years to allow the Coast Guard to complete the decommissioning of the LORAN system.

Coast Guard Capital Funding (Acquisition, Construction & Improvement (AC&I))

The Committee recommends $1.64 billion to fund all planned Coast Guard capital acquisitions in FY 2011, a $106 million (7 percent) increase above the FY 2010 enacted level. These funds support the acquisition, construction, and improvement of vessels, aircraft,

information management resources, shore facilities, and aids to navigation.

The Committee's recommendation includes $108 million above the President's request to purchase long lead time material for the sixth National Security cutter.

The Committee's recommendation includes $1.22 billion for the Integrated Deepwater Systems program, to replace or rehabilitate cutters and aircraft, a $66.2 million (5.7 percent) decrease from the FY 2010 enacted level.

The Committee's recommendation also includes $153 million to support the construction of a new combined buoy tender-icebreaker for service on the Great Lakes which was included in H.R. 1747, the "Great Lakes Icebreaker Replacement Act", which passed the House on April 27, 2009.

Research, Development, Test and Evaluation

The Committee recommends $20 million for Research, Development, Test and Evaluation. The Committee continues to support full funding of this account under the Coast Guard's direct control.

Alteration of Bridges

The Committee recommends $16 million for the Alteration of Bridges, a $12 million (300 percent) increase above the FY 2010 enacted level of $4 million. The Coast Guard has determined eight bridges to be unreasonable obstructions to navigation and an additional 32 bridges as potentially unreasonable obstructions to navigation. Funding for this program is imperative to the safe navigation of recreational and commercial vessels.

Port Security Grants

The Committee supports providing at least $300 million for port security grants in FY 2011.

Federal Maritime Commission

The Committee recommends approximately $25.5 million for the Federal Maritime Commission in FY 2011.

Economic Development, Public Buildings, and Emergency Management

Economic Development

The Committee has jurisdiction over five existing economic development programs: the Economic Development Administration (EDA), the Appalachian Regional Commission, the Denali Commission, the Delta Regional Authority, and the Northern Great Plains Regional Authority. In addition, the "Food, Conservation, and Energy Act of 2008" (P.L. 110-246) authorized the creation of three new regional commissions: the Southeast Crescent Regional Commission, the Southwest Border Regional Commission, and the Northern Border Regional Commission. During the 111th Congress, the Committee intends to reauthorize EDA.

The administration requests $246 million for EDA's Economic Development Assistance Programs (EDAP) in FY 2011, a decrease of $9 million or 3.5 percent below the FY 2010 enacted level of $255 million. For EDA's salaries and expenses, the administration requests $40.2 million in FY 2011, a slight increase of $2.2 million above the FY 2010 enacted level of $38 million.

Regional Economic Development Commissions

Regional commissions have a proven track record of efficiently and fairly meeting the needs of the regions they serve by providing grants for infrastructure and economic development plans. These plans undergo a rigorous and thorough vetting process to ensure that only the best plans receive funding. The Committee remains committed to ensuring the full funding of these programs.

In 2008, P.L. 110-371 reauthorized the Appalachian Regional Commission (ARC) through FY 2012. For FY 2011, $108 million is authorized for ARC programs, and an additional $13.5 million is authorized for economic and energy development initiatives. The administration's FY 2011 funding request for the ARC is $76 million, which is equal to the FY 2010 enacted level. The Committee supports full funding at the authorized level for this important economic development program, 50 percent of which goes to Appalachian counties that are economically distressed. The Committee also supports continued funding for the Appalachian Development Highway System, which will be reauthorized as part of the upcoming surface transportation authorization legislation to be considered later this year.

The Committee supports funding the Denali Commission at levels sufficient to allow it to continue with effective sustainability and development programs. The administration has requested $12 million for the Denali Commission for FY 2011, which is equal to the FY 2010 enacted level.

The administration has requested $13 million for the Delta Regional Authority (DRA) for FY 2011, which is equal to the FY 2010 enacted level. The Committee recommends funding the DRA at $30 million for FY 2011, equal to the authorized level. A failure to fully fund the DRA significantly hampers its ability to meet its mission.

The administration has requested $1.5 million for the Northern Border Regional Commission for FY 2011, which is equal to the FY 2010 level. The Northern Border Regional Commission will play a vital role in the economic renewal of the upper northeast border region. The Committee recommends funding the Authority at $30 million for FY 2011, equal to the authorized level.

The President's Budget did not include any funding for the Northern Great Plains Regional Authority, which will play a vital role in the economic renewal of the Great Plains region. The Committee recommends funding the Authority at $30 million for FY 2011, equal to the authorized level.

The administration has requested $250,000 for the Southeast Crescent Regional Commission for FY 2011, which is equal to the FY 2010 enacted level. The Committee also recommends providing $30 million for both the Southeast Crescent Regional Commission and the Southwest Border Regional Commission established by P.L. 110-246 in FY 2011, which is the authorized funding level.

Public Buildings

In the area of public buildings, the Committee intends to address a number of issues concerning the Public Buildings Service of GSA. These issues include the continued viability of the Federal Buildings Fund (FBF), GSA's courthouse construction program, border station construction, the need for increased funds for repairs and alterations, and the use of leased space.

The FBF, the primary source of funding for GSA's capital investment program, while receiving consistent funding over the past several years, is barely maintaining its present position with regard to providing funding for construction of new Federal buildings and the repair of existing buildings. The FBF is supported by lease payments charged to Federal agencies occupying space in GSA facilities. GSA is increasingly relying on the use of leased space because it lacks funds for construction, repair, alteration, and modernization of Federally-owned facilities. The Committee recommends that the administration carefully review the amount of funds made available for the construction, repair, and alteration of Federally-owned facilities as well as reconsider the increased reliance on leased space and how these issues impact the FBF.

GSA's repair and alteration program in previous years has failed to meet projected demand for the modernization of GSA's aging inventory of Federal buildings. The functional replacement value of GSA's 1,532 owned buildings is $41 billion. A significant investment will be necessary to make these buildings modern and efficient places to work. The FY 2011 repair and alteration request is $703.5 million; a 70 percent increase of the FY 2010 enacted level of $413.8 million. The requested amount will fund repairs and alterations at Federal buildings and judicial facilities. The marked increase in FY 2011 is a result of the significant decrease in the FY 2010 repair and alteration program due to the investments of the American Recovery and Reinvestment Act. The Committee recommends fully funding the FY 2011 repair and alteration program, which will allow for an increase in the level of renovations being made to Federally-owned buildings. This funding will allow GSA to

locate more Federal employees in government-owned space, which will reduce the amount of office space being leased from the private sector and thereby reduce overall costs.

GSA has requested $676.4 million for the construction and acquisition of new facilities, a 24.3 percent decrease from the FY 2010 enacted level of $894 million. This request includes funding for continued agency consolidations, new border stations, funds for general infrastructure and development activities, and funds for non-prospectus level construction. The Committee supports this request and urges the full funding of GSA's construction program.

The Committee will continue to monitor GSA's leasing program. The Committee continues to be concerned about the rising amount of leased space being used to meet the requirements of the civilian branch of the Federal Government where Federal facilities are not available. The leasing program is increasing from year to year, largely as a result of the scoring rules implemented pursuant to the Budget Enforcement Act of 1990, which force GSA into short-term, expensive leases, to avoid the budget impact of a capital lease.

The Committee will also continue to exercise oversight over GSA's Federal Judiciary projects. The Committee will pursue savings on existing construction projects and carefully scrutinize newly requested courthouse space.

Emergency Management

Department of Homeland Security

The failed response to Hurricane Katrina made evident many shortcomings at the Federal level, in general, and with the Department of Homeland Security (DHS) and the Federal Emergency Management Agency (FEMA), in particular. Most of these shortcomings can be directly tied to FEMA's placement in the DHS bureaucracy. Since 2003, the Committee has held hearings showing a clear correlation between the absorption of FEMA into DHS and the deterioration of FEMA's effectiveness. Another reason for this trend is that since becoming a part of DHS, FEMA's emergency management mission has shifted toward a disproportionate focus on terrorism at the expense of other hazards. The country requires FEMA to once again function with the nimbleness and flexibility that was its hallmark before being placed within the DHS bureaucracy. Therefore, the Committee feels that FEMA would function best, and the country would be best served in times of disasters, if FEMA was once again an independent agency led by an Administrator with extensive experience in emergency management, reporting directly to the President.

Additionally, there are continuing tensions between homeland security grant programs and the all-hazards emergency management approach as was identified at a Committee hearing on "An Independent FEMA: Restoring the Nation's Capabilities for Effective Emergency Management and Disaster Response" on May 12, 2009; as well as several hearings of the Subcommittee on Economic Development, Public Buildings and Emergency Management, including "FEMA's Preparedness And Response To All Hazards" on April 27, 2007; "Readiness in the Post-Katrina and Post-9/11 World: An Evaluation of the New National Response Framework" on September 11, 2007; "FEMA's Response to the 2008 Hurricane Season and the National Housing Strategy" on September 23, 2008; and

"Post-Katrina Disaster Response and Recovery: Evaluating FEMA's Continuing Efforts in the Gulf Coast and Response to Recent Disasters" on February 25, 2009.

Federal Emergency Management Agency

Mitigation – For FY 2011, Congress enacted $140 million for mitigation grants including $100 million for Pre-Disaster Mitigation (PDM) and $40 million for flood mitigation assistance (FMA). The FY 2011 President's Budget requests $140 million for mitigation grants, including $100 million for PDM and $40 million for FMA. The PDM Program, which is authorized by the Committee on Transportation and Infrastructure, will sunset on September 30, 2010, if further action is not taken. Effective disaster mitigation spending reduces the costs incurred in managing the consequences of natural disasters. In the 111th Congress, the Committee reported and the House passed H.R. 1746, the "Pre-Disaster Mitigation Act of 2009", which authorizes an appropriation of $250 million for FY 2011. The Committee supports funding at this level.

Disaster Relief – For disaster relief programs administered by FEMA, the Committee recommends funding sufficient to meet the needs of communities hit by disasters. The total amount enacted for the Disaster Relief Fund (DRF) to date in FY 2010 is $1.6 billion, a decrease of $7.76 billion below the FY 2009 level of $9.36 billion. However, the President has requested an additional $5.1 billion in supplemental funding for the DRF in FY 2010. For FY 2011, the President's Budget requests $1.95 billion for the DRF. In addition, Congress enacted $295,000 for the Disaster Assistance Direct Loan account for FY 2010, the same as the FY 2009 level. The President's Budget requests this same funding level for FY 2011.

Flood Map Modernization – In FY 2010, Congress enacted $220 million for flood map modernization, the same level as was provided for FY 2009. For FY 2011, the President's Budget requests $194 million, a decrease of $26 million from the FY 2010 enacted level. Over the past several years, FEMA has engaged in an aggressive plan to modernize the nation's flood maps. As maps are modernized, the Committee supports FEMA's efforts to include risk identification for multiple hazards associated with these maps. The Committee supports fully funding this program to ensure that communities across the country have the most accurate information possible for insurance, planning, and mitigation activities.

Emergency Management Performance Grants (EMPG) – The EMPG program is the Federal Government's principal grant program to build basic State and local emergency management capability. In FY 2010, Congress enacted $340 million for the EMPG program, a $25 million increase above the FY 2009 enacted level of $315 million. For FY 2011, the President's Budget requests $345 million. The Committee believes the program should remain a flexible program focused on building basic emergency management capability and should not combine the funding of EMPG with terrorism-specific programs. The Committee recommends that it be funded at the authorized level of $815 million in FY 2011.

Emergency Operations Centers – In FY 2010, Congress enacted $60 million for all-hazard Emergency Operations Centers (EOCs), authorized by section 614 of the Stafford Act, an

increase of $25 million above the FY 2010 enacted level of $35 million. The President's Budget proposes no funding for EOCs in FY 2011. While EOC construction is authorized under EMPG, the President's Budget requests an increase of just $5 million for EMPG.

FIRE Grants - In FY 2010, Congress enacted $810 million in all hazard assistance to firefighters in small and large communities around the nation. Of this amount, $420 million was specifically targeted to Staffing for Adequate Fire and Emergency Response (SAFER) grants, which help fire departments increase the number of frontline firefighters, and the remainder, $390 million, was for Assistance to Firefighter Grants (Fire Grants). This is an increase from the $210 million FY 2009 enacted level for SAFER, and a decrease from the $565 million FY 2009 enacted level for Fire Grants. The FY 2011 President's Budget requests $305 million for SAFER and $305 million for Fire Grants. The authorization for the Fire Grant program expired on September 30, 2009, and the authorization for the SAFER program will expire on September 30, 2010. H.R. 3791, which would reauthorize both programs, passed the House on November 18, 2009. The Committee supports funding Fire Grants and SAFER in FY 2011 at $1 billion and $1.194 billion, respectively, consistent with the funding levels authorized by H.R. 3791.

Homeland Security Grants – In FY 2010, Congress enacted $3.105 billion for Homeland Security Prevention and Protection Programs, virtually the same as the $3.106 billion FY 2009 enacted level. This amount includes $950 million for the State Homeland Security Grant Program (same as enacted in FY 2009), and $887 million for the Urban Area Security Initiative (up from $837 million enacted in FY 2009). The FY 2011 President's Budget requests $1.05 billion for the State Homeland Security Grant Program and $1.1 billion for the Urban Area Security Initiative, which includes $200 million for hosting terror-related trials. The Committee does not support the administration's proposal to fund EMPG, Fire Grants, and SAFER from this account. The Committee also does not support consolidating the Citizen Corps program into the Urban Area Security Initiative and the State Homeland Security Grant Program.

Smithsonian Institution

The FY 2011 President's Budget request for the construction and revitalization of Smithsonian facilities is $136.8 million, an increase of $11.8 million above the FY 2010 enacted level of $125 million. A recent GAO report indicated $2.5 billion is necessary over the next 10 years to address the Smithsonian's backlog of facility maintenance. Continued instability in the amount provided for facilities at the Smithsonian Institution poses a serious risk to the vitality of the Smithsonian Institution and its ability to carry out its core missions. A reduction in funding in past years has made such projects as restoration of the Arts and Industries building impossible at this time, even though this historic building has serious structural defects that have required its closure. Additionally, this lack of funding threatens the Smithsonian Institution's accreditation due to its inability to maintain and update its collection, provide adequate security at its museums, continue to fund research, and provide adequate staffing. The Committee recommends funding the Smithsonian Institution's construction and revitalization program at a level that will allow it to meet its basic needs while continuing its research and outreach activities.

Architect of the Capitol

The Architect of the Capitol's (AOC) FY 2011 budget request includes $90.8 million for House Office Buildings, $101.2 million for libraries and grounds, $14.3 million for the Botanic Gardens, and $120.6 million for the Capitol power plant. In addition, the AOC requested $50 million for the House Historic Buildings Revitalization Trust Fund. The Committee is concerned about the mounting backlog of capital requirements and urges full funding for the AOC program. The Committee intends to exercise aggressive oversight over the Capitol buildings and grounds.

John F. Kennedy Center for the Performing Arts

The FY 2011 President's Budget requests $37.4 million for the John F. Kennedy Center for the Performing Arts (Kennedy Center). These funds are exclusively for the Operations and Maintenance (O&M, $23.5 million) and Capital Repair and Restoration (CR&R, $13.9 million) activities of the Kennedy Center. This level is $3 million less than the amount enacted in FY 2010 ($40.4 million). P.L. 110-338 authorizes appropriations for the John F. Kennedy Center for the Performing Arts through FY 2012. In FY 2011, a total of $40.5 million is authorized for the Kennedy Center, including $23.5 million for maintenance, repair, and security, and an additional $17 million for capital projects. The performing arts programming and administrative support for the Kennedy Center is financed by ticket sales, auxiliary and investment income, and through private donations. The Committee recommends funding the Kennedy Center at the authorized levels to ensure that the Kennedy Center can continue to maintain its historic building and provide a world class venue for its robust programming activities.

Highways and Transit

The most recent long-term authorization of the Federal surface transportation program, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) (P.L. 109-59), expired at the end of FY 2009. Since that time, Federal highway, highway safety, and public transportation programs have been operating under a series of short-term extensions, the most recent of which expired on February 28, 2010.

In its FY 2011 budget request, the administration has called for further extension of the program through March 31, 2011. The Committee continues to reject an extension of this duration, which would unacceptably postpone a much-needed infusion of Federal surface transportation investment, the creation of millions of new jobs, and comprehensive reforms to the Federal surface transportation program.

Despite the administration's continued call for an 18-month extension of surface transportation programs, the budget request contains a number of significant programmatic and policy proposals. The Committee believes that restructuring of and changes to the highway, highway safety and transit programs should be addressed in a comprehensive long-term authorization bill, not in a piecemeal fashion.

In June 2009, the Subcommittee on Highways and Transit unanimously reported to the Full Committee on Transportation and Infrastructure a comprehensive surface transportation authorization proposal: the Surface Transportation Authorization Act of 2009 (STAA). STAA would invest $450 billion in the nation's surface transportation network and $50 billion in high-speed rail, and would significantly transform the surface transportation programs and policies, many of which were crafted more than a half-century ago. The current programs are no longer well-suited to address today's challenges of improving the condition, performance, and safety of our system. STAA establishes programs and policies designed to achieve specific national objectives: reduce fatalities and injuries on our nation's highways; unlock the congestion that cripples major cities and the freight transportation network; provide transportation choices for commuters and travelers; limit the adverse effects of transportation on the environment; and promote public health and the livability of the nation's communities.

The increased investment called for in STAA is accompanied by greater transparency, accountability, oversight, and performance measures to ensure that taxpayer dollars are being spent effectively and in a manner that provides the maximum return on that investment. Under current Federal surface transportation programs, recipients of funding have significant flexibility in the use of funds, and tracking the benefits derived from these investments is difficult. STAA will establish programs that are outcome-based and include mechanisms to allow Congress and the American public to see the benefits achieved from the investments made.

Under existing transportation policy, the Federal highway, highway safety, and transit programs would be funded at a total level of $326 billion over the next six years. This level is not adequate to meet the needs of the system. According to the U.S. Department of Transportation's "2008 Status of the Nation's Highways, Bridges, and Transit: Conditions and Performance" report (C&P Report), over the next 20 years, **an additional**:

- $27 billion[5] per year from all levels of government is needed simply to sustain highway conditions and performance;
- $96 billion[5] per year from all levels of government is needed to make all cost-beneficial highway improvements and to eliminate the backlog of bridge deficiencies;
- $2.3 billion[6] per year in capital investments from all levels of government are necessary to maintain the current average transit asset conditions and current transit vehicle occupancy levels; and
- $8.3 billion[6] per year in capital investment from all levels of government are necessary to improve transit conditions and performance.

The significant underinvestment in surface transportation infrastructure identified in the C&P Report confirms the findings of two commissions established by Congress to study

[5] Amount shown is an increase relative to current capital investment by all levels of Government of $78.7 billion in 2006.

[6] Amount shown is an increase relative to current capital investment by all levels of Government of $12.75 billion.

future surface transportation policy and financing needs. The National Surface Transportation Policy and Revenue Study Commission called for an annual investment level of between $225 and $340 billion – by all levels of government and the private sector – over the next 50 years to upgrade all modes of surface transportation (i.e., highways, bridges, public transit, freight rail and intercity passenger rail) to a state of good repair. Similarly, the National Surface Transportation and Infrastructure Financing Commission (Finance Commission) found that an annual investment of $200 billion by all levels of government was necessary to maintain and improve the nation's highway and transit infrastructure systems. These amounts are more than double the current levels of highway and transit capital investment (a cumulative $91.5 billion per year from all levels of government and the private sector).

At the same time, reports identify a significant and growing surface transportation investment gap, the primary source of Federal investment, the Highway Trust Fund (HTF), is facing ongoing problems of solvency due to the declining revenues going into the trust fund. According to the administration's estimates, under the President's Budget request, absent additional revenues or a General Fund (GF) transfer, the cash balance of the Highway Account of the HTF would be -$11.6 billion at the end of FY 2011. Similarly, the administration estimates that the cash balance of the Mass Transit Account of the HTF would be -$2.5 billion at the end of FY 2011 under this proposal.

In the past, the Committee has worked with the Committee on Ways and Means to address the projected shortfalls in the Highway Account. The Committee will continue to work with the Committee on Ways and Means to ensure the short-term solvency of the HTF. However, a long-term solution is necessary to provide the sustainable investment required to maintain and improve the surface transportation network. The Committee will continue to examine all current and potential methods of funding greater infrastructure investment and financing surface transportation projects.

The Committee will continue its efforts to pass a long-term intermodal surface transportation authorization that transforms the nation's surface transportation programs to meet the new challenges necessary to improve economic competitiveness, reduce congestion, return the system to a state of good repair, improve mobility and access for people and goods, and improve the safety and sustainability of our surface transportation network.

Cross-Cutting Issues

National Infrastructure Innovation and Finance Fund

The President's Budget requests $4 billion for a new National Infrastructure Innovation and Finance Fund (NIIFF) in FY 2011. The NIIFF would make grants and loans to transportation and transportation-related projects that provide a significant economic benefit to the Nation or a region. The NIIFF would be overseen by a Policy and Investment Board that would establish and maintain the criteria for the evaluation of investment projects and make investment recommendations to the Secretary of Transportation. Eligible projects would be capital projects which are either (1) primarily for a highway, tunnel, bridge, transit, commuter rail, passenger and freight intermodal facilities,

passenger rail, including Amtrak, freight rail, airports, aviation, ports and maritime investment; or (2) for a transportation component of a non-transportation project; or (3) for transportation infrastructure that increases the environmental sustainability of the transportation network in a region.

The Committee is prepared to work with the administration to authorize a National Infrastructure Fund, and looks forward to receiving a detailed legislative proposal. The Committee generally supports the intent of the administration's proposal and has, in fact, proposed the establishment of a similar Fund as part of the STAA. However, the Committee views this as a substantive authorization proposal which should be dealt with in the context of a long-term surface transportation authorization, and would strongly oppose the establishment of this new program in any other context.

Livable Communities

The President's Budget would establish within the Office of the Secretary of Transportation a new Office of Livable Communities. The Budget requests $20 million for this Office in FY 2011, including $12 million for grants and technical assistance to States, local governments, and non-profit organizations for performance measurement capability, enhanced ability to perform alternatives analysis, and training and workshops. The remaining $8 million would be used for administration, including developing performance standards, building analytical capacity related to the creation of livable communities, and coordination of livability initiatives between the Department of Transportation, the Environmental Protection Agency, and the Department of Housing and Urban Development.

The President's Budget also requests funding for this initiative within the Federal Highway Administration and the Federal Transit Administration. More detailed information is included within the discussion of highway and transit programs below.

Although the Committee supports the intent of the administration's proposal to improve livable communities, the creation of such a new program should be considered within the context of a long-term surface transportation authorization.

Highways

The physical condition and operational performance of our nation's roads and bridges require substantial attention and investment. As of 2006 – the most recent year for which we have comprehensive and reliable data – only 57 percent of travel on the National Highway System (NHS) took place on pavement rated as having good ride quality. In urban areas this figure was an even lower 48 percent. Roughly 165,000 bridges, equaling more than one of every four bridges in the United States, are structurally deficient or functionally obsolete. Finally, traffic congestion impacts 30 percent of daily travel in U.S. urbanized areas, costing the nation almost $80 billion per year in lost time and wasted fuel. Taking all of this into account, the American Society of Civil Engineers recently graded the condition of America's bridges at a "C" level and America's roads as a "D-."

According to the U.S. Department of Transportation, our nation's roads and bridges will require an average of $106 billion in annual capital investment over the next two decades simply to sustain highway conditions and performance, and would need $175 billion per year in capital investment to make all cost-beneficial investments and eliminate the current backlog of bridge deficiencies. Today, the public and private sectors spend just under $80 billion per year on highway and bridge capital projects.

Pending development of the administration's comprehensive surface transportation reauthorization proposal, the President's FY 2011 budget request includes placeholder baseline funding levels (adjusted for inflation) for surface transportation programs in FY 2011. The request includes an obligation limitation of $41.4 billion for the Federal-aid Highways program and $0.7 billion in exempt contract authority, for a combined $42.1 billion. This funding level is $255.8 million above the appropriated FY 2010 obligation limitation of $41.1 billion (+0.6 percent). However, when unauthorized General Fund (GF) appropriations made in FY 2010 are considered, the budget request is $687 million (-1.6 percent) below the FY 2010 enacted level. While the Committee recognizes that this investment level represents a placeholder until a long-term surface transportation authorization is enacted, the level of investment called for in the budget proposal is well below the levels necessary to sustain and improve the nation's highways and bridges.

According to the administration's estimates, under the budget request, the cash balance of the Highway Account of the Highway Trust Fund (HTF) would be -$11.6 billion at the end of FY 2011 absent additional revenues or a General Fund transfer. By law, the Highway Account may not reach a negative balance. This indicates that, without additional revenues or a GF transfer, at some point within FY 2011 FHWA would be required to delay Federal-aid highway reimbursements to States. The budget request assumes that Congress will ensure the solvency of the HTF through FY 2011 by transferring $20.0 billion from the General Fund to the HTF ($16.0 billion for the Highway Account and $4.0 billion for the Transit Account) at some point during FY 2010.

The Committee supports a transfer of $19.5 billion to the HTF to restore interest payments foregone on Trust Fund balances since 1998 (prior to which point the HTF accrued interest). The Highway Trust Fund is currently the only Federal trust fund that does not accrue interest, and the Committee strongly supports not only the restoration of foregone interest, but also statutory changes to allow the HTF to collect interest from this point forward. H.R. 2847, the "Jobs for Main Street Act", passed by the House on December 16, 2009, included provisions that accomplished both of these objectives. The Committee continues to support the provisions in H.R. 2847 that restructure the current fuel tax exemptions and refunds provided to State and local governments so that they are supported by the General Fund rather than the HTF.

The administration's budget request proposes to cancel $263.1 million in unobligated funding under various project-related accounts authorized in the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) or prior bills. On April 2, 2009, the Committee released principles for reform of member-designated surface transportation high priority projects. Among these principles, the Committee gave notice that it intends to repeal certain designations under the Transportation Equity Act for the 21st Century (TEA-21), the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), and prior

authorization bills for projects that have not proceeded to construction or have remaining unused funds. The Committee intends to carry out this repeal as part of STAA.

The administration's budget request proposes the reallocation of a combined $200 million in States' FY 2011 core highway program apportionments under the Interstate Maintenance, National Highway System, Surface Transportation, Highway Bridge, Congestion Mitigation and Air Quality Improvement Programs. The administration proposes to use these funds for a new Livable Communities Program (LCP) in support of the administration's Partnership for Sustainable Communities. Under the LCP, the Federal Highway Administration would provide discretionary capacity-building grants to States, localities, tribes, and transit agencies to enhance the grant recipients' ability to plan and implement transportation projects consistent with livability goals. The creation of a such new discretionary grant program should be considered within the context of a long-term surface transportation authorization. The Surface Transportation Authorization Act of 2009, which the Subcommittee on Highways and Transit favorably reported to the Committee in June 2009, includes a number of provisions that would promote livable communities, including the creation of an Office of Livability. The Committee will address initiatives such as the LCP in the course of moving forward with the Surface Transportation Authorization Act.

Transit

According to the American Society of Civil Engineers, transit use has increased faster than any other mode of transportation. The American Public Transportation Association documented that Americans took 10.7 billion trips on public transportation in 2008, the highest level in 52 years. This increase in transit ridership is almost triple the growth rate of the population, and substantially more than the growth rate for vehicle miles traveled on our nation's highways. The infrastructure required to support these riders is extensive, and ensuring the reliability, efficiency, and safety of transit assets is a top priority of the Committee.

Unfortunately, numerous segments of the nation's public transportation infrastructure are in need of major repairs. According to the 2008 C&P Report, the number of bus and rail facilities in adequate or better condition has decreased. In 2006, 64 percent of urban bus maintenance facilities were in adequate or better condition, down from 67 percent in 2000. In 2006, 74 percent of rail facilities were in adequate or better condition, down from 80 percent in 2002. Additionally, the conditions of rail track, elevated structures, underground tunnels, and rail maintenance facilities have all declined in recent years. The C&P report also finds that $15.1 billion in total capital investment per year is needed just to maintain current transit asset conditions – representing an increase of $2.3 billion over current capital investment levels – while an average of $21.1 billion is needed annually to bring all transit assets up to a good condition. This required funding level represents an increase of $8.3 billion over current capital investment levels.

The administration's budget request proposes total budget authority of $10.8 billion for the Federal Transit Administration (FTA) programs in FY 2011. Although there is no authorization for FY 2011, the request is $459 million more than the $10.338 billion authorized by the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy

for Users (SAFETEA-LU) for FY 2009. In addition, the budget proposes several new initiatives, programs and budget categories, but at the same time, continues to assume an extension of current law through March 2012. The Committee views these as substantive authorization proposals which should be dealt with in the context of a long-term surface transportation authorization, and would strongly oppose making these changes in any other context.

The President's Budget proposal would create several new accounts to be funded from the Mass Transit Account of the HTF for livable communities and energy reduction initiatives. The administration's FY 2011 budget proposes redirecting $307 million in existing transit program funds to a new Livable Communities Account. This new account would include the Job Access and Reverse Commute, Alternatives Analysis, and Metropolitan and Statewide Planning programs. These are all existing Highway Trust Funded transit programs, and the new Livable Communities Account would not alter existing programmatic funding levels, formula apportionments, or eligibilities. The President's Budget also proposes a new Greenhouse Gas and Energy Reduction Account, which would include $53 million in Trust Funded amounts for a competitive grant program. The budget proposal would also combine the existing Bus and Bus Facilities discretionary and Fixed Guideway Modernization formula programs into one new program called Bus and Rail State of Good Repair. The Committee views all of these proposed changes as substantive authorization proposals, which should be dealt with in the context of a long-term surface transportation authorization.

The administration also requests $30 million and 130 new FTEs to conduct Rail Transit Safety Oversight activities. These activities require enactment of legislation to authorize FTA to regulate transit safety and provide the additional substantive authorizing language to direct a new program. The Committee believes that this proposal should be considered as part of a comprehensive authorization of surface transportation programs and policies.

According to the administration's estimates, the cash balance of the Mass Transit Account of the HTF, absent additional revenues or a General Fund (GF) transfer, would be -$2.458 billion at the end of FY 2011 under this proposal. By law, the Mass Transit Account may not reach a negative balance. Therefore, the administration's estimate indicates that without additional revenues or a GF transfer, at some point within FY 2011 FTA would be required to suspend grant approvals for transit projects. The budget request assumes that Congress will ensure the solvency of the Mass Transit Account through FY 2011 by transferring $20.0 billion from the General Fund to the HTF at some point during FY 2010. The Committee supports a transfer of $19.5 billion to the HTF to restore interest payments foregone on Trust Fund balances since 1998 (prior to which point the HTF accrued interest). H.R. 2847, the "Jobs for Main Street Act", which passed the House on December 16, 2009, included this transfer.

Highway and Motor Carrier Safety

Over the past five years, an average of 41,515 people lost their lives and almost 2.5 million people were seriously injured in motor vehicle crashes. According to the National Highway Traffic Safety Administration (NHTSA) motor vehicle crashes are the leading

cause of death and disability for American ages 2 through 34. The more than six million annual motor vehicle crashes cost an estimated $289 billion related to deaths, injuries, property damage, productivity losses, medical bills, and other related costs. In addition, crashes involving large trucks resulted in 4,887 fatalities and 105,000 injured persons each year, on average, over the past five years. Recognizing the significant impact of these deaths and serious injuries, the Committee proposes to double highway and motor carrier safety funding in STAA.

The administration's budget request proposes a total obligation limitation for NHTSA's highway safety grants, alcohol-impaired driving countermeasures, occupant protection incentive grants, seat belt performance grants, high-visibility law enforcement campaigns, motorcyclist safety grants, and child passenger safety grants of $620.7 million, compared to $619.5 million made available for FY 2010.

The administration proposes that up to $50 million of the amounts authorized and provided for seat belt performance grants be made available for a new Distracted Driving Prevention Grant program. This proposal would provide incentive grants to States to enact and enforce laws combating distracted driving. While the Committee recognizes the growing evidence that driver distraction is a serious and growing cause of motor vehicle crashes, such a proposal would be more appropriately considered as part of a comprehensive review and restructuring of the highway safety programs.

To address motor carrier safety, the administration's FY 2011 budget proposes to increase funding for the Federal Motor Carrier Safety Administration (FMCSA) to $570 million, an increase of 3.6 percent over FY 2010 enacted levels and an increase of 5.3 percent over FY 2009 authorized levels.

The FY 2011 President's Budget proposes to continue FY 2010 enacted funding levels for the following motor carrier safety grant programs: Motor Carrier Safety Assistance Program (MCSAP) grants ($212.1 million); Border Enforcement grants ($32 million); Commercial Vehicle Information Systems and Networks (CVISN) grants ($25 million); Performance Registration Information Systems and Management (PRISM) grants ($5 million); and Safety Data Improvement grants ($3 million). The budget requests increased funding for the Commercial Driver's License (CDL) Improvement grants ($30 million from $25 million) and the New Entrant grants set-aside within the MCSAP program ($32 million from $29 million). FMCSA proposes to reprogram $8 million authorized for the Commercial Driver's License Information System (CDLIS) modernization grants to fund these increases. These changes leave the overall request for the Motor Carrier Safety Grants category unchanged from FY 2010 levels ($310 million). This amount represents a $3 million increase over full funding of motor carrier safety grants as authorized by SAFETEA-LU for FY 2009. The MCSAP program received the full $3 million increase in FY 2010; other programs remained unchanged in FY 2010 from FY 2009 authorized levels.

The Committee supports robust funding for the MCSAP program, as this provides States with funding to conduct motor carrier safety enforcement activities. As part of the surface transportation authorization legislation, the Committee intends to elevate the MCSAP program by consolidating several grant programs into an enhanced MCSAP program, and to improve accountability in the enhanced program through performance

measures. Similarly, the Committee believes that FMCSA's CDL Improvement grant program is in need of an overhaul to ensure that States administer CDL programs in accordance with Federal standards, to institute measures to track States' performance, and to hold States not in compliance strictly accountable. FMCSA's oversight of this program has been inadequate and has failed to ensure that States use grant funds to correct deficiencies and meet Federal guidelines. The Committee supports higher levels of funding to States to issue CDLs under an improved program that ensures Federal dollars will be spent effectively.

The President's Budget requests $259.9 million for Motor Carrier Safety Operations in FY 2011, an increase of $20.1 million over FY 2010 enacted level of $239.8 million. This account includes FMCSA operating expenses, research and technology, information management, regulatory development, and outreach and education. Within this account, FMCSA requests funding for 59 additional full-time equivalent (FTE) personnel, including 25 FTEs for the enforcement of the Comprehensive Safety Analysis 2010 (CSA 2010) initiative and 12 FTEs to oversee the safety of new entrant carriers. The Committee fully supports FMCSA's effort to invest additional resources in enforcement and oversight that will improve the safety of motor carriers. However, FMCSA's budget for Motor Carrier Safety Operations represents 46 percent of the agency's total budget request; agency operating expenses alone account for 34 percent of the budget. The Committee notes that FMCSA expended funds for activities related to the cross border surface transportation pilot program between the U.S. and Mexico from September 2007 to March 2009, as well as activities leading up to the launch of this program. FMCSA did not request additional funds under the Motor Carrier Safety Operations account specifically for these activities, and did not demonstrate to the Committee what activities were curtailed to conduct activities related to the pilot program. The Committee believes that, as States should be held accountable for how they spend Federal dollars, FMCSA should demonstrate that its expenditures under the Motor Carrier Safety Operations account maximize safety benefits.

Transportation Research

The administration's request for the Research and Innovative Technology Administration (RITA) is $47 million in FY 2011, a 14.6 percent increase over the FY 2010 enacted level. The request includes $17 million in General Fund dollars for the coordination of research, development and technology. The remainder of the request is $30 million from the Highway Trust Fund to fund the Bureau of Transportation Statistics (BTS). In addition to the budget request, RITA will conduct over $300 million in transportation research done on a reimbursable basis for other agencies.

Railroads, Pipelines, and Hazardous Materials

Federal Railroad Administration

The Committee reauthorized the Federal Railroad Administration's (FRA) rail safety program in the 110th Congress through enactment of the Rail Safety Improvement Act of

2008 (P.L. 110-432). Prior to enactment of the Rail Safety Improvement Act (the Act), the FRA's rail safety program had not been reauthorized since 1994.

The Act implements a number of longstanding National Transportation Safety Board (NTSB) recommendations by strengthening hours-of-service standards for certain railroad workers; mandating installation of positive train control (PTC) on most major rail lines by December 31, 2015; directing the FRA to study the use of cell phone and other personal electronic devices in the locomotive cab and to prohibit the use of such devices if the study supported such a prohibition; requiring Class I railroads to provide emergency escape breathing apparatus for all crewmembers on freight trains carrying hazardous materials; strengthening track and grade crossing safety; and enhancing worker training.

The Act also prohibits railroads from denying, delaying, or interfering with the medical treatment of injured workers; increases civil penalties for certain railroad safety violations; strengthens bridge and tunnel safety; establishes a program at the NTSB to assist victims and their families involved in a passenger rail accident, modeled after a similar aviation disaster program; and ensures that State governments are able to protect their citizens against environmental hazards, such as noxious fumes or leaks into groundwater, which could result from operation of a waste processing facility by a railroad.

To ensure that the FRA is able to meet the numerous goals set forth in the Act, the Committee authorized a total of $245 million for FY 2011, plus an additional $50 million to assist freight, commuter, and intercity passenger railroads in implementing the PTC mandate. The President's Budget proposes $153.8 million for a new Federal Railroad Operations account and $49.5 million for a new Railroad Safety account, for a total request of $203.3 million for rail safety and operations. This is an increase of $31.1 million above the FY 2010 enacted level of $172.3 million, but $41.7 million less than the FY 2011 authorized level of $245 million. Although the Committee recognizes that the President's Budget proposal represents an 18 percent increase for FRA from FY 2010 enacted levels, the Committee supports funding at the authorized level.

The President's Budget proposes to zero-out funding for the Railroad Safety Technology Grant Program, which provides financial assistance to freight, commuter, and intercity passenger railroads to implement the PTC mandate. In FY 2011, $50 million is authorized for the program. The Committee supports the authorized level.

The President's Budget also proposes to establish a new rail safety user fee to offset enforcement costs. There is no current statutory authority for imposing such a fee, and the Committee strongly opposes the authorizing language included in the budget that would prescribe these user fees.

Passenger Rail

The Committee reauthorized Amtrak in the 110th Congress. The Passenger Rail Investment and Improvement Act of 2008 (the Act) (P.L. 110-432) provides a total of $13.06 billion over five years for passenger rail programs, including $9.77 billion over five years for Amtrak, $1.9 billion for capital grants to States for development of new and

improved intercity passenger rail service, and $1.5 billion for the planning and development of high-speed rail corridors in the United States.

Amtrak

In addition to authorizing $9.776 billion for Amtrak for FY 2009 through 2013, the Act included a number of measures to reform Amtrak's operations and financial and accounting procedures; improve Amtrak's on-time performance; reduce Amtrak's debt; and resolve disputes between commuter and freight railroads.

On February 1, 2010, Amtrak submitted its General and Legislative Annual Report to Congress for FY 2011 which requested a total of $2.196 billion in FY 2011, including $592 million for operating assistance, $1.018 billion for capital grants, $305 million for debt service, and $281 million for compliance with the Americans with Disabilities Act (ADA).

The amount authorized for Amtrak for FY 2011 is $1.927 billion, which includes $592 million for operating assistance, $1.025 billion for capital grants, $288 million for debt service, and such sums as may be necessary for compliance with ADA. However, the President's Budget proposed $1.637 billion for Amtrak, including $563 million for operating grants, $483 million for capital grants, $288 million for debt service, $281 million for ADA compliance, and $22 million for the Amtrak Office of Inspector General.

The Committee supports fully funding Amtrak at the authorized levels for FY 2011. In addition, Amtrak is required to meet ADA accessibility requirements at all stations by July 26, 2010. According to Amtrak's ADA stations development plan, only 12 of Amtrak's stations will be fully compliant in 2010. The Committee supports additional capital funding for ADA compliance and requests strict language directing Amtrak to use the funds solely for meetings its responsibilities under this landmark civil rights law.

High-Speed Rail

The Committee supports the President's goal of providing additional funding for planning and development of high-speed rail corridors in the U.S., building upon the $8 billion provided in the American Recovery and Reinvestment Act for high-speed rail, and the additional $2.5 billion provided in the FY 2010 appropriations bill.

It is clear that the United States lags woefully behind the rest of the world when it comes to developing high-speed rail. Japan, the nation that unveiled the world's first high-speed rail system in 1964, has a 1,350-mile network and is already at work building a line that will connect Tokyo with Osaka at speeds of over 300 mph.

France, which holds the world speed record for steel wheels-on-steel rail—357 miles per hour—used its high-speed rail system to pull entire regions from isolation, ignite growth, and remake quiet towns into thriving tourist destinations. After inaugurating its high-speed rail system in 1981, France developed a 1,180-mile network and plans to add another 1,500 miles. The system currently carries a remarkable 100 million passengers annually.

Spain changed the demographics of entire regions with its high-speed rail line from Madrid to Seville, which opened in 1992. The line is so successful that more people travel between the two cities by rail than by car and airplane combined. Spain plans to spend more than $100 billion over the next decade to build Europe's largest high-speed rail network. The project will put nearly everyone in Spain within 30 miles of a train station, and will create tens of thousands of jobs.

Earlier this year, China announced a plan to expand its high-speed rail system to a network of over 16,000 miles by the year 2020. In this year alone, China has poured more than $50 billion into this system.

The Committee believes that a robust, high-speed rail system will go a long way toward solving some of our nation's economic, energy, environmental, and transportation challenges. These benefits, however, do not come without a price tag, and experience in other countries makes clear that a successful high-speed rail system will require a significant financial commitment.

The Surface Transportation Authorization Act, which the Committee unveiled last June, provides $50 billion for high-speed rail over a six-year period. It also provides funding for planning high-speed rail projects and for research, development, and demonstration of high-speed rail.

Given the fact that the FRA received requests totaling $57 billion from States for the $10.5 billion that is currently available, the Committee believes that additional funding is warranted in FY 2011.

Pipelines and Hazardous Materials Safety Administration

The Committee expects to reauthorize the Pipeline and Hazardous Materials Safety Administration's (PHMSA) hazardous material safety program in the 111th Congress; the prior authorization expired in 2008. On November 19, 2009, following Department of Transportation Inspector General (DOT IG) and Committee Majority staff investigations, the Committee ordered reported H.R. 4016, the "Hazardous Material Transportation Safety Act of 2009". The findings of both investigations revealed serious deficiencies in PHMSA's hazardous material safety program, in particular the special permits and approvals programs.

H.R. 4016 addresses many of those deficiencies and calls for significant enhancements to the hazardous material safety program through an increase in personnel, including inspectors, training, significant improvements to data collection and analysis, and a more well-defined mission. The legislation also requires PHMSA to: (1) enhance training for emergency responders; (2) issue regulations for the safe transportation of lithium cells and batteries on-board aircraft, in coordination with the Federal Aviation Administration; (3) eliminate transportation of flammable materials in external product piping; (4) strengthen the special permits and approvals programs; (5) establish a working group to improve the collection, analysis, and reporting of data related to hazmat transportation accidents; and (6) carry out a hazmat enforcement training program. The legislation also directs the Secretary to increase the number of personnel by 84 full-time employees to carry out PHMSA's important hazardous materials safety mission.

H.R. 4016 proposes $51.3 million for the hazardous material safety program in FY 2011, $10.9 million above the President's Budget request of $40.4 million. Without a higher level of funding as proposed in H.R. 4016, it will be difficult for PHMSA to correct the significant deficiencies in its hazardous material safety program which, in turn, could jeopardize safety.

With respect to pipelines, the Committee expects to reauthorize PHMSA's pipeline safety program in the 111th Congress; the program expires in 2010. The program was last reauthorized at the end of the 109th Congress through enactment of the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006.

The President's Budget calls for $111.1 million for pipeline safety, an increase of 5.6 percent over funding enacted for FY 2010.

Water Resources and Environment

Army Corps of Engineers

The Committee supports Federal investment in the Civil Works program at levels sufficient to address the nation's current and future needs for navigation, flood damage reduction, and environmental restoration. In total, the Committee recommends a minimum appropriation of $8.0 billion for the Corps of Engineers for FY 2011. The President's recommendation for FY 2011 is $4.9 billion. A detailed break-out of the Committee's recommended funding level by program is provided below.

Our existing aging infrastructure must be modernized and adequately maintained. With a growing backlog of Corps construction and maintenance projects, including projects and studies authorized through enactment of the Water Resources Development Act of 2007, and given the importance of these water resource projects to the economy, the Committee believes the Corps should be funded at the level that allows it to achieve its full capability.

With trade expanding and highways and railways congested, efficient water navigation must be provided and maintained. The ports and waterways constructed and maintained by the Corps program also assist in the movement of military equipment for overseas deployment. While much has been done to discourage development in floodplains, there are still many areas where floods create tremendous economic and personal hardship. In addition, in the aftermath of Hurricanes Katrina, Rita, and Ike, the nation is coming to learn that much of its flood-damage reduction infrastructure, including the nation's interconnected network of Federal, state, and locally-constructed levees, is either in need of significant repair or is wholly insufficient to protect the populated areas of the country.

The vast array of navigation and flood damage reduction infrastructure is important to the nation's economy, and a secure economy is a necessary part of a secure nation. But this infrastructure has suffered from many years of inadequate funding for maintenance and

replacement. The capital stock value of Corps water resources infrastructure has been decreasing since the late 1970s. Significant increases in investment for maintenance of existing facilities and the construction of modern ones are urgently needed.

In the 110th Congress, in an effort to address the growing need for navigation, flood damage reduction, and environmental restoration projects, the Water Resources Development Act of 2007 (WRDA 2007) was enacted. This important legislation authorized approximately $23 billion in Federal assistance for new Corps projects and studies, and modifications to existing Corps projects. The Committee supports appropriation levels for FY 2011 and beyond that will allow the Corps to proceed expeditiously with carrying out the projects and studies contained in WRDA 2007 and prior water resources development acts, including key national priorities within the Corps mission areas, such as restoration of the Florida Everglades, navigation and environmental restoration projects along the Upper Mississippi River and Illinois Waterways, and efforts to restore the Louisiana Coastal Area.

Investigations

The Corps must conduct new studies to determine where there is Federal interest in water resource development. The President's Budget requests $104 million to conduct studies in FY 2011, a decrease of $56 million (-35 percent) below the FY 2010 enacted level of $160 million.

The President's Budget continues a recent trend in Presidential budget requests for the Investigations account that have proposed funding levels far below Corps' capability, and have had a negative impact on the continued development of justified projects.

In addition, an underfunded Investigations account places the nation at risk of losing the skills developed by Corps personnel as they plan and design civil works projects. Because the Corps is both a civilian and a military organization, these skills directly benefit the Corps' military mission, as demonstrated by the current deployments of Corps personnel to Iraq and the substantial involvement of Corps districts and laboratories in managing infrastructure improvements in Iraq. The Corps also responds to domestic and international emergencies, such as Hurricane Katrina in August 2005.

The Committee recommends a minimum appropriation of $300 million for the Investigations account in FY 2011 to support the core capabilities of the agency, maintain a steady flow of good investment options that will provide economic benefits and protect and restore the aquatic environment, and provide funding for ongoing project studies and studies authorized by WRDA 2007 or through Study Resolutions of the Committee on Transportation and Infrastructure.

Construction

The Committee supports funding for the Construction account sufficient to sustain a steady and reliable pace for ongoing construction projects, as well as initiate construction on priority projects throughout the Corps' missions of navigation, flood damage reduction, and environmental restoration. While the $2 billion in project construction funding from the

American Recovery and Reinvestment Act (P.L. 111-5) enabled the Corps to complete construction on an additional 71 projects, significant construction needs remain.

Recent Presidential budget requests for the Construction account have proposed funding levels far below the Corps's construction capability. Reduced funding levels draw out the construction period for most projects, delay the start of new investments, and delay benefits.

The President's Budget requests $1.69 billion for project construction in FY 2011, a decrease of $341 million (or -16.8 percent) below the FY 2010 enacted level of $2.031 billion. The Committee is concerned that insufficient funding levels for the Construction account will increase the cost of completing projects and will delay the national economic and ecosystem restoration benefits that these investments provide. The Committee supports funding the Construction account at a level that would allow for completing more projects in an efficient manner. The Committee recommends a minimum appropriation of $3.4 billion for the Construction account in FY 2011 to fund the construction of vital ongoing projects at the Corps' capability and begin construction of projects authorized in the WRDA 2007.

Operation and Maintenance

The Committee supports funding for the Operation and Maintenance account sufficient to meet the Corps' needs for dredging, repairs, and other traditional operation and maintenance activities. With much of the nation's inland navigation infrastructure at or past its design life, the Committee supports funding that is sufficient for addressing the growing backlog of maintenance projects. While the $2.075 billion in project operations and maintenance funding from the American Recovery and Reinvestment Act (P.L. 111-5) enabled the Corps to address a significant portion of this maintenance backlog, significant operation and maintenance needs remain.

The President's Budget requests $2.361 billion for project operation and maintenance in FY 2011, a decrease of $39 million (or -1.6 percent) below the FY 2010 enacted level of $2.4 billion. The Committee is concerned that sustained low funding will limit the navigability of our ports and waterways, reduce flood damage reduction benefits and hydropower production, and imperil environmental benefits. For example, unscheduled lock closures have been increasing significantly, shutting down rivers, disrupting the movement of goods, and harming the economy.

The Committee recommends an appropriation of $3.2 billion for the Operation and Maintenance account in FY 2011.

Harbor Maintenance Trust Fund

The Committee remains concerned about the surplus in the Harbor Maintenance Trust Fund. At the end of FY 2010, the estimated surplus in this fund is expected to be $5.519 billion. This fund is supplied by taxes paid by users of ports and is meant to pay for harbor maintenance projects.

For years, more funds have been collected than have been appropriated and a large surplus in the Trust Fund has accumulated. For example, Trust Fund receipts are estimated to be $1.4 billion in FY 2011, but the FY 2011 President's Budget proposes to use just $764 million from the Trust Fund for the Corps' Operation and Maintenance program. This mismatch between Trust Fund receipts and appropriations has not been caused by a lack of needed port maintenance dredging. To the contrary, the Corps of Engineers has had the capability to execute a far greater amount of work on nationally significant water projects authorized by Congress. The constraint on the performance of this valuable work has been the limited level of funding appropriated from the Trust Fund. The result has been unnecessary cost increases, significantly delayed completion dates, and delays in realizing transportation savings. At a minimum, the Committee supports annual appropriations from the Harbor Maintenance Trust Fund for authorized purposes consistent with annual collections to the Fund.

Inland Waterways Trust Fund

The Committee is aware of the declining revenues in the Inland Waterways Trust Fund, which is derived from a 20-cent-per-gallon tax on diesel fuel used by commercial vessels engaged in inland waterway transportation, plus investment income. The Trust Fund is used to pay one-half of the costs associated with the construction, replacement, expansion, and major rehabilitation of Federal inland waterways projects. At the end of FY 2010, the Inland Waterways Trust Fund is expected to have a balance of just $23 million.

The FY 2011 President's Budget proposes to replace the current excise tax on diesel fuel for the inland waterways with a new funding mechanism that raises the revenue needed to meet the authorized non-Federal cost-share of inland waterways capital investments "in a way that is more efficient and more equitable than the fuel tax". In addition, the Budget proposes to preserve the landmark cost-sharing reform established by the Congress in 1986, while supporting inland waterways construction, expansion, replacement, and rehabilitation work.

As it did with the previous administration's similar proposal, the Committee continues to express reservations with any proposal to raise the costs of shipping goods along the inland waterway system.

Regulatory Program

The Committee supports funding for the Corps' regulatory program at levels sufficient to ensure efficient and effective permit review, compliance, and enforcement, and to allow projects that require a Corps of Engineers' permit to be addressed in a timely manner. While the President's FY 2011 Budget for the Corps' regulatory program is $3 million (or 1.6 percent) above the FY 2010 enacted level of $190 million, this proposed funding level fails to provide adequate resources necessary to meet Corps' performance measures on reaching final permit decisions on general and individual permits within a targeted period of time, and on maximizing compliance and enforcement of existing general and individual permits.

The Committee is aware of continued delays within the Corps' regulatory program for processing individual and general permit application requests and ensuring compliance with existing permits, in accordance with the Rivers and Harbors Appropriations Act of 1899, the Federal Water Pollution Control Act Amendments of 1972 (more commonly known as the Clean Water Act), and the Marine Protection, Research and Sanctuaries Act of 1972. According to Assistant Secretary of the Army (Civil Works) John P. Woodley's FY 2009 Budget statement, the U.S. Supreme Court decision in *Rapanos* and *Carabell* has resulted in additional field documentation, coordination, and evaluation work for Clean Water Act permits.

The Committee supports an appropriation of $300 million for the Regulatory account of the Corps of Engineers. At this level, the Corps should meet and potentially exceed its performance measures for permit review, compliance, and enforcement.

Remaining Accounts

The President's Budget requests $240 million for the Mississippi River and Tributaries account in FY 2011, a decrease of $100 million (-29.4 percent) from the FY 2010 enacted level of $340 million. The Committee supports an appropriation of $400 million for this account in FY 2011.

The President's Budget requests $130 million for the Formerly Utilized Sites Remedial Action Program (FUSRAP) account in FY 2011, a decrease of $4 million (-3 percent) below the FY 2010 enacted level of $134 million. The Committee supports an appropriation of $200 million for the FUSRAP account for FY 2011.

The President's Budget requests $185 million for the Expenses account in FY 2011, the same as the FY 2010 enacted level. The Committee supports an appropriation of $200 million for the Expenses account for FY 2011.

Natural Resources Conservation Service

The Committee has jurisdiction over the following programs of the Natural Resources Conservation Service (NRCS): Watershed Surveys and Planning, Watershed Protection and Flood Prevention Operations, and Watershed Rehabilitation. The President's Budget requests a total of $40.5 million for these programs in FY 2011, a decrease of $29.7 million (-42.3 percent) below the FY 2010 enacted level of $70.2 million.

The Committee supports an appropriation of $120 million for NRCS to carry out its Watershed Surveys and Planning, Watershed Protection and Flood Prevention Operations, and Watershed Rehabilitation programs, plus additional funding to address emergency watershed protection measures that typically require $100 million annually.

Recent Presidential budget requests have proposed to eliminate funding for the Watershed Protection programs of NRCS. The Committee continues to oppose such proposals to eliminate a highly cost-effective program that provides, on average, $1.5 billion in annual benefits to agricultural and urban communities, including $663.5 million in average annual flood damage reduction benefits.

Environmental Protection Agency

For water infrastructure programs administered by the Environmental Protection Agency (EPA), the Committee recommends levels adequate to address the increasing need for capitalization grants for Clean Water State Revolving Funds (Clean Water SRFs) and core programs under the Clean Water Act. Meeting the increasing need and the widening wastewater infrastructure financing gap will require an increase in the authorization levels and accompanying appropriations.

To this end, the Committee strongly supports the efforts of this Presidential administration to increase investment for the Clean Water SRF program significantly above the funding levels the program received prior to FY 2010. The Committee supports significant Federal appropriations for the Clean Water SRF, starting at least at $2.7 billion for FY 2011, to help State and local governments meet their wastewater infrastructure needs, produce jobs, and to continue the Federal commitment to restoring and maintaining the nation's water quality.

In the 111th Congress, the Committee hopes to complete consideration, and send to the President for his signature, H.R. 1262, the "Water Quality Investment Act of 2009". Title I of H.R. 1262 authorizes $13.8 billion over five years for the Clean Water SRF, including $2.7 billion for FY 2011. The Committee recognizes that the $13.8 billion over five years authorized by H.R. 1262 in and of itself will not address the documented wastewater infrastructure needs of the Nation. Therefore, additional funding may be necessary. In December 2009, the House passed H.R. 2847, the "Jobs for Main Street Act", which included an additional $1 billion for the Clean Water SRF program.

The Committee supports increased Federal funding for efforts to control nonpoint sources of pollution, including the nonpoint source management program authorized by section 319 of the Clean Water Act. The Committee is concerned that, in the years since enactment of the 1972 Clean Water Act, the single largest-remaining and uncontrolled contributor of pollutants to the nation's waters is nonpoint sources. In fact, EPA has estimated that 90 percent of the nation's impaired waters are contaminated, in part, by nonpoint sources of pollution. According to the most recent EPA Clean Watersheds Needs Survey, total nonpoint source needs over the next 20 years are, at a minimum, $38 billion or $1.9 billion annually on average. In addition, in 2009, the Association of State and Interstate Water Pollution Control Administrators (ASIWPCA) issued a report, entitled "Call for Change", which notes that the current level of section 319 funding is not sufficient to run a comprehensive nonpoint source program. To address this need, ASWIPCA recommended that Congress appropriate an additional $1 billion for the section 319 program annually. The Committee supports an appropriation for EPA's nonpoint source management program at a level sufficient to address ongoing nonpoint sources of pollution throughout the nation.

The Committee supports the $45 million increase in Federal funding for State water quality management programs under Section 106 of the Clean Water Act that is proposed in the President's FY 2011 Budget request (over the FY 2010 appropriation of $229.3 million). Prevention and control measures supported by State water quality management programs include Clean Water Act permitting, pollution control activities, surveillance, monitoring,

enforcement, local governmental training, and public information. The Committee supports an appropriation of $400 million for FY 2011 for State water quality management programs under section 106 of the Clean Water Act, consistent with the authorization for this program contained in H.R. 1262, the "Water Quality Investment Act of 2009".

The Committee supports increased Federal funding for water quality cooperative agreements and grants, and wastewater operator training grants authorized by section 104 of the Clean Water Act. Section 104(b)(3) of the Clean Water Act authorized Federal grants to state water pollution control agencies, interstate agencies, municipalities, Indian tribes and other nonprofit institutions to promote the prevention, reduction and elimination of pollution, with priority consideration given to watershed protection, and activities addressing stormwater, combined sewer overflows, mining, on-site systems, and animal feeding operations. Section 104(g)(1) of the Clean Water Act authorizes funding for the wastewater treatment plant operator on-site assistance training program, which provides small publicly owned treatment works with on-site training and other technical operation and maintenance assistance. The Committee supports a combined appropriation of $25 million for FY 2011 for water quality cooperative agreements and grants authorized by section 104(b)(3) of the Clean Water Act and the wastewater treatment plan operator on-site assistance training program authorized by section 104(g) of the Clean Water Act.

The Committee supports increased Federal funding for projects and activities related to the remediation of contaminated sediment in the Great Lakes' areas of concern, as authorized by the Great Lakes Legacy Act, as amended by P.L. 110-365. The Committee supports an FY 2011 appropriation of $150 million for projects eligible under section 118(c)(12) of the Clean Water Act, consistent with the proposed authorization level for this program contained in H.R. 1262, the "Water Quality Investment Act of 2009".

The Committee supports continuing funding for projects and activities eligible under the National Estuaries Program (section 320 of the Clean Water Act), section 117 of the Act (Chesapeake Bay), section 118 of the Act (Great Lakes), section 119 of the Act (Long Island Sound), and section 120 of the Act (Lake Champlain). The Committee plans to move reauthorizing legislation related to several of these authorities later this session.

For the Superfund program administered by the EPA, the Committee recommends funding at a level commensurate with current program needs and as necessary to maintain the average number of construction completions over the past 10 years. As with the Corps of Engineers Civil Works Program, the Committee recommends funding for the Superfund program at a level that matches its capability, so that no cleanup projects fail to advance due to lack of funding, delaying public health and environmental benefits, as well as economic benefits derived from returning sites to productive use.

The Committee supports funding the brownfields program at authorized levels. The Small Business Liability Relief and Brownfields Revitalization Act (P.L. 107-118) authorizes $200 million annually for brownfields site assessments, cleanup, research, technical assistance, and job training, which has traditionally been funded out of the State & Tribal Assistance Grants (STAG) account. These funds are used to assess and physically clean-up

sites, putting valuable urban land back into productive use. The Small Business Liability Relief and Brownfields Revitalization Act also authorizes $50 million annually in grants to States to fund State voluntary cleanup programs, which also has traditionally been funded out of the STAG account. The President's FY 2011 Budget requests $215.1 million for the brownfields program, including $138.3 million ($200 million authorized) for grants to assess and/or cleanup brownfields, and $49.5 million ($50 million authorized) for States and Tribes to establish or enhance their response programs.

Tennessee Valley Authority

Since FY 2001, 100 percent of the Tennessee Valley Authority's (TVA's) power and non-power programs have been funded through its power revenues and TVA has received no appropriated funds. However, the Committee will exercise its oversight responsibilities over the agency in FY 2011, including continued oversight of TVA's cleanup of the Kingston Coal Ash spill, and its efforts to evaluate the condition of other coal ash storage facilities within its inventory.

Saint Lawrence Seaway Development Corporation

The Saint Lawrence Seaway Development Corporation is a wholly-owned government enterprise created in 1954 to construct, operate, and develop jointly with Canada a seaway between Montreal and Lake Erie. Funding for operation and maintenance of Seaway facilities is appropriated from the Harbor Maintenance Trust Fund, which derives its revenue from a 0.125 percent tax on the value of cargo loaded or unloaded at U.S. ports, as well as from tolls collected on the Saint Lawrence Seaway.

The Saint Lawrence Seaway Development Corporation has developed a 10-year U.S. Asset Renewal Program Capital Investment Plan for navigation infrastructure and facilities, including lock operation upgrades and maintenance, waterway management, tunnel and bridge maintenance, and facility upgrade and maintenance. The total cost of the 10-year asset renewal program is $164,605,000, which is authorized by section 5015 of the Water Resources Development Act of 2007 (Pub. L. 110-114).

The Committee strongly supports sufficient appropriations in FY 2011 and beyond to carry out the long-term asset renewal plan of the Seaway.

COMMITTEE ON TRANSPORTATION & INFRASTRUCTURE

Full Committee

Comments on Views & Estimates

Congressman Elijah E. Cummings
Chairman, Subcommittee on Coast Guard and Maritime Transportation

March 3, 2010
2167 Rayburn House Office Building

Thank you, Mr. Chairman.

The Views and Estimates recommended for the Coast Guard focus on restoring the budget cuts proposed by the Administration.

Our recommendations have been developed in a bi-partisan manner and I thank Ranking Member LoBiondo for working so closely with us to formulate these recommendations. I know we both agree that the Coast Guard should not continue to be asked to do more with less.

The Obama Administration budget request generally prioritizes asset recapitalizations – including acquisitions under the Deepwater program – albeit the FY 2011 acquisition budget itself would also be reduced below the FY 2010 budget under the Administration's proposal.

To preserve the recapitalizations – and to accommodate pay and military allowance increases – the budget proposes significant cuts in the Coast Guard's operations.

Specifically, the budget proposes to reduce the size of the Coast Guard's workforce by 773 positions.

The budget also proposes decommissioning 5 cutters, including 4 High Endurance Cutters, resulting in the loss of approximately 5,000 cutter mission hours in fiscal year 2011.
Further, the budget proposes to remove several H-65 helicopters from service, close two seasonal air facilities, retire four Falcon jets, and decommission five Maritime Safety and Security Teams.

Given how thin the Coast Guard is already stretched, such cuts would reduce the capacity of the Coast Guard to carry out its missions – an outcome that is simply unacceptable.

This impact is clearly reflected in the Coast Guard's own performance measure estimates for fiscal year 2011 which, for example, lower the projected target interdiction rate for cocaine.

In the Views and Estimates before the Committee, we recommend that the Coast Guard receive $10.2 billion in FY 2011 funding, which would be an increase of $346 million above the total amount enacted for FY 2010 and an increase of $623 million above the President's FY 2011 Budget.

We also recommend restoring the following units and assets proposed for elimination:

- Two High Endurance Cutters;
- Five H-65 helicopters; and
- Five Maritime Safety and Security Teams (MSST).

Restoring these units and assets will increase the Coast Guard's personnel count by 841 and increase the budget by just under $38 million.

Regarding the Coast Guard's capital budget, we recommend $1.64 billion to fund all planned Coast Guard capital acquisitions in FY 2011.

The Committee's recommendation includes $108 million above the President's budget for the purchase of long-lead materials for the sixth National Security Cutter.

The recommendation also includes $153 million to support the construction of a new combined buoy tender-icebreaker for service on the Great Lakes as authorized by The Great Lakes Icebreaker Replacement Act, which passed the House on April 27th, 2009.

The funding levels we are recommending will ensure that the Coast Guard is able to adequately perform its vital missions and I strongly urge adoption of these recommendations by the Committee today.

Finally, I note that we recommend $25.5 million for the Federal Maritime Commission, in line with the Administration's funding request.
####

Transportation and Infrastructure Committee Ranking Member John L. Mica
Budget Committee Hearing on the
FY 2011 Department of Homeland Security
March 3, 2010

Mr. Chairman, protection of the nation's borders, ports and waterways could be severely undermined by funding cuts to the Coast Guard and Customs and Border Protection proposed by the Obama Administration.

The Administration is gutting some of our frontline defenses against terrorism by cutting over 1,000 positions from the Coast Guard and Customs and Border Protection. The Administration proposes to cut funding needed to secure our borders within the Customs and Border Protection by more $225 million.

At the same time, the Administration proposal expands the bloated bureaucracy of the Transportation Security Administration (TSA) by another 4,500 employees bringing the total number of TSA employees to more than 60,000.

The American people expect the federal government to live within its means, but this is not a simple question of cutting the federal budget. We cannot compromise on our capability to ensure the safety and security of our ports and borders in favor of more bureaucracy.

TSA's growth is out of control with more than 3,000 administrative staff in Washington with average annual salaries of over $100,000, and another 8,700 administrative and management staff across the country. Instead of shortchanging border and port security, we could save money by cutting excessive administrative positions at TSA by 25 percent.

We can further save money at TSA by eliminating the redundant and enormously wasteful practice of rescreening all international passengers arriving for domestic flights at the almost 100 domestic airports with direct international service. I believe TSA could make much better use of its personnel and resources, not to mention providing better security for passengers, by ensuring that passenger screening conducted at international departure airports is equivalent to that conducted in the United States. This would free up thousands of security screeners to be used in a more efficient and effective manner.

TSA also maintains that each new Advance Imaging Technology (AIT) station requires 3 FTEs per shift and there may be 2 or 3 shifts per day. Increasing the number of AITs to 1800 will cost more than an additional $2 billion dollars.

Without an Administrator for the past year, TSA desperately needs leadership and redirection of its resources. I cannot believe that TSA needs so many new positions to man new airport screening equipment while the Coast Guard starves.

We cannot justify cutting resources to protect our borders and ports while growing the top-heavy, inefficient bureaucracy at TSA.

I urge you to provide sufficient budget authority to restore the cuts proposed for the Coast Guard. Specifically,

- Restore $ 5.5 million for the 5 H-65 helicopters the budget proposes to eliminate. The service has spent considerable time and money modernizing and re-engineering the H-65 fleet, and sidelining these crucial assets is a mistake. Laying up these aircraft will reduce U.S. anti-drug surveillance in the transit zone used by those smuggling drugs and migrants in the Caribbean and the waters around my home state of Florida. The loss of the helicopters would also reduce the Coast Guard's hard-won ability to board suspected terrorist vessels at sea.

- Provide $108 million to fund long lead funding for National Security Cutter (NSC) # 6. The budget includes funds to build NSC #5, but without long lead funding for materials the shipyard cannot continue the seamless production of the next cutter in the planned series of 8 vessels.

- Provide $18.2 million to maintain all 12 Maritime Safety and Security Teams (MSSTs). MSSTs patrol our harbors daily, and provide the front line defense against terrorist attacks. These teams deter and respond to terrorist activities in and around U.S. ports and provide additional response capability for natural disasters and maritime accidents The terrorists in New York harbor won't wait as the Coast guard repositions assets from Boston.

- Restore funds for port, waterway and coastal security proposed to be cut by more than $100 million.

I also urge you to include budget authority for Coast Guard programs directly to the Coast Guard budget. The Administration requests funds as part of the Navy and National Science Foundation (NSF) budgets that are intended to be transferred at a later date to the Coast Guard to cover Coast Guard operations. Those funds should be provided directly to the Coast Guard. The NSF funds are for polar icebreaking activities, and the Navy funds for overseas operation in support of the Department of Defense.

It is said, "Eternal vigilance in the price of freedom." We must provide our first responders with the tools they need to remain vigilant and keep us free.

DEMOCRATS

BOB FILNER, CALIFORNIA, CHAIRMAN

CORRINE BROWN, FLORIDA
VIC SNYDER, ARKANSAS
MICHAEL H. MICHAUD, MAINE
STEPHANIE HERSETH SANDLIN, SOUTH DAKOTA
HARRY E. MITCHELL, ARIZONA
JOHN J. HALL, NEW YORK
DEBORAH L. HALVORSON, ILLINOIS
THOMAS S.P. PERRIELLO, VIRGINIA
HARRY TEAGUE, NEW MEXICO
CIRO D. RODRIGUEZ, TEXAS
JOE DONNELLY, INDIANA
JERRY MCNERNEY, CALIFORNIA
ZACHARY T. SPACE, OHIO
TIMOTHY J. WALZ, MINNESOTA
JOHN H. ADLER, NEW JERSEY
ANN KIRKPATRICK, ARIZONA
GLENN C. NYE, VIRGINIA

MALCOM A. SHORTER
STAFF DIRECTOR

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED ELEVENTH CONGRESS
335 CANNON HOUSE OFFICE BUILDING
WASHINGTON, DC 20515
http://veterans.house.gov

REPUBLICANS

STEVE BUYER, INDIANA, RANKING

CLIFF STEARNS, FLORIDA
JERRY MORAN, KANSAS
HENRY E. BROWN, JR., SOUTH CAROLINA
JEFF MILLER, FLORIDA
JOHN BOOZMAN, ARKANSAS
BRIAN P. BILBRAY, CALIFORNIA
DOUG LAMBORN, COLORADO
GUS M. BILIRAKIS, FLORIDA
VERN BUCHANAN, FLORIDA
DAVID P. ROE, TENNESSEE

KINGSTON E. SMITH
REPUBLICAN STAFF DIRECTOR
AND CHIEF COUNSEL

March 4, 2010

Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, clause 4(f) of Rule X of the Rules of the House of Representatives, and Rule 7 of the Rules of the Committee on Veterans' Affairs, the Committee on Veterans' Affairs hereby submits its Views and Estimates with regard to programs and matters within the jurisdiction of the Committee to be set forth in the concurrent resolution on the budget for fiscal year 2011. The Minority will be submitting Additional and Dissenting Views under separate cover.

Caring for our veterans is an ongoing cost of war, and a continuing obligation of our national defense. As a Congress, and a nation, we must fulfill our promises to the men and women who have served. Working together, we can ensure that our veterans are not forgotten, and that we meet our obligations to them as a nation.

Sincerely,

BOB FILNER
Chairman

CORRINE BROWN

VIC SNYDER

MICHAEL H. MICHAUD

Honorable John M. Spratt, Jr.
March 4, 2010
Page 2

STEPHANIE HERSETH SANDLIN

HARRY E. MITCHELL

JOHN J. HALL

DEBORAH L. HALVORSON

THOMAS S.P. PERRIELLO

HARRY TEAGUE

CIRO RODRIGUEZ

JOE DONNELLY

JERRY McNERNEY

ZACHARY T. SPACE

TIMOTHY J. WALZ

JOHN H. ADLER

ANN KIRKPATRICK

GLENN C. NYE

Committee on Veterans' Affairs
U.S. House of Representatives
111th Congress

Views and Estimates
FY 2011

March 5, 2010

Section 1 – Discretionary Accounts

Department of Veterans Affairs

The Committee[1] recommends $57.537 billion for the discretionary accounts of the Department of Veterans Affairs (VA) for FY 2011. This recommendation is $4.5 billion, or 8.5 percent, above the FY 2010 level of $53.039 billion, and $571 million above the Administration's FY 2011 request of $56.966 billion.

This year marks the first budget submission after the enactment of P.L. 111-81, the Veterans Health Care Budget Reform and Transparency Act of 2009, which mandated that the Administration's budget request include amounts for the following fiscal year for VA medical care accounts. The Consolidated Appropriations Act of 2010, P.L. 111-117, enacted on December 16, 2009, for the first time included $48.2 billion in advance appropriations for VA medical care for FY 2011. For FY 2012, the Administration has requested $50.6 billion for VA medical care for FY 2012. This amount, along with an estimated $3.7 billion in collections would provide a total resource level of $54.3 billion for VA medical care, a $2.8 billion increase above amounts provided for FY 2011.

For FY 2011, the Administration estimates that it will obtain $3.4 billion in medical collections, for a total VA medical care resource level of $51.5 billion. This is $4.3 billion, or 9.1 percent, above FY 2010 levels. The Committee notes that the VA's current estimate for FY 2010 collections is $72 million more than the amount assumed in the FY 2010 Consolidated Appropriations Act and is confident that the VA's estimate for FY 2011 can be matched or exceeded.

The Independent Budget, co-authored by AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and the Veterans of Foreign Wars has recommended a total resource level of $52 billion for VA medical care. The Independent Budget has also requested that this sum be fully appropriated and is silent as to how third-party collections should be utilized in providing resource to the VA. The Independent Budget has not made any recommendations regarding FY 2012 medical care funding.

---

[1] While the Views and Estimates reflect a consensus effort, the Committee wishes to note that not all Members of the Committee necessarily agree with every aspect of the report. Accordingly, the Committee reserves its flexibility to determine program needs and recognizes the potential for funding changes as the Committee and Congress work their will through the legislative process.

Although the Committee is not recommending medical care funding levels for FY 2012, the Committee believes that the Administration's request is consistent with a current services estimate, and plans to work closely with the Administration and other committees as the appropriations process moves forward to ensure that FY 2012 funding accurately reflects the resource requirements facing the VA on October 1, 2011.

VA Medical Care Accounts (FY 2010-FY 2012)

($ in thousands)	FY 2010	President's Request	
		FY 2011 [1/]	FY 2012
Medical Services	$ 34,707,500	$ 37,136,000	$ 39,649,985
Medical Support and Compliance	$ 4,930,000	$ 5,307,000	$ 5,535,000
Medical Facilities	$ 4,859,000	$ 5,740,000	$ 5,426,000
Total, Medical Care	**$ 44,496,500**	**$ 48,183,000**	**$ 50,610,985**
Medical Care Collections Fund (non-add) [1/]	*$ 2,954,000*	*$ 3,355,000*	*$ 3,679,000*
Total, Medical Care with Collections (non-add)	***$ 47,450,500***	***$ 51,538,000***	***$ 54,289,985***

[1/] On December 16, 2009, the Consolidated Appropriations Act of 2010 was signed into law. Division E of this Act included appropriations for the Department of Veterans Affairs (VA). This included VA funding for FY 2010, as well as advance appropriations for the VA medical care accounts in FY 2011. The President's Budget request for FY 2011 reflects the same amounts appropriated for 2011 in the Consolidated Appropriations Act of 2010.

For medical care, the Administration's FY 2011 budget request, submitted on February 1, 2010, requested no additional funding above the amounts provided in the FY 2010 Consolidated Appropriations Act. The Committee recommends an additional $221 million be added to the Medical Facilities account to support non-recurring maintenance requirements. The Committee also recommends increases for the Medical and Prosthetic Research, General Operating Expenses, Office of Inspector General, Minor Construction, Grants for Construction of State Extended Care Facilities, and Grants for Construction of State Veterans Cemeteries accounts.

The Committee believes that the Administration's request and the additional resources recommended by the Committee will enable the VA to meet the wide-ranging health care needs of our veterans, begin to address the disabilities claims backlog, and improve the administration of non-medical benefits claims such as the post-9/11 GI bill. While the Committee will tirelessly advocate for the resources to enable the VA to meet its responsibilities to our veterans, the Committee remains cognizant that taxpayer dollars are scarce and that we must ensure that VA spends resources wisely. The Committee is proposing increased funding levels for the Office of Inspector General to assist in these efforts. The Committee has recommended increases for the VA's construction accounts and remains committed to ensuring that VA infrastructure is sufficient to deliver the highest quality health care to veterans.

ADDITIONAL FUNDING REQUIREMENTS

Should Congress consider additional stimulus, supplemental, or emergency spending, especially as relating to our current economic crisis, the Committee will seek additional funding to address VA's long-standing construction and facilities backlog. These projects, which have been identified, would not only improve health care and access to veterans but bolster employment opportunities throughout the nation. The Committee could seek an additional $700 million to fund the following:

Non-Recurring Maintenance (NRM)	$400 million
Minor Construction	$200 million
Major Construction	$100 million
Total	$700 million

The VA has a large portfolio of capital assets, which consists of about 5,500 buildings and almost 34,000 acres of land. The VA monitors the condition of these facilities and according to the December 2009 Facility Condition Assessment Status Report, the VA estimates that $9.4 billion is needed to correct all of the deficiencies and to upgrade the condition of VA facilities. The situation is particularly bleak for the VA research infrastructure because they must compete with the facility upgrade needs of the VA medical center. Currently, the VA is in the process of reviewing the research infrastructure needs and by the end of FY 2009, 53 sites have been surveyed with about 20 sites that are waiting to be assessed in FY 2010. To date, the estimated funding needed to improve the research infrastructure exceeds $570 million. Of this, about 44 percent or about $250 million are priority 1 deficiencies where corrections are needed to resume normal operations, halt accelerated deterioration, replace items that are at or beyond their useful lifecycle, and correct life and safety hazards. The Committee recommendation of $400 million will help the VA focus on the non-recurring maintenance backlog.

In addition to addressing the repairs and maintenance needs of existing capital assets, the VA requires significant investments to fully fund the capital projects that are in development. For example, the FY 2011 budget for VA major construction identifies 21 partially funded projects from prior years. An additional $4.5 billion is needed to complete these projects, but the FY 2011 budget only requests $790 million to fund just three of the 21 projects. This means that approximately $3.7 billion remains to be funded in the out-years. The budget also prioritizes newly scored major construction projects submitted in the FY 2011 planning cycle. There were 61 such projects requiring $8.4 billion. Of this, the VA only requests partial funding for two newly scored projects amounting to $73 million. The Committee recommends $200 million and $100 million for minor and major construction respectively, so that the VA can fund additional projects. With the additional funding, the VA can improve access to VA health care, including funding additional Community Based Outpatient Centers (CBOCs) so that more veterans can receive medical care closer to their homes.

Veterans Health Administration (VHA)

($ in thousands)

	FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget[1]	FY 2011 Committee Recomm.	Recomm. vs. Request
Medical Services	$34,707,500	$37,136,000	$40,940,954	$37,136,000	$0
Medical Support & Compliance	$4,930,000	$5,307,000	$5,314,595	$5,307,000	$0
Medical Facilities	$4,859,000	$5,740,000	$5,706,507	$5,961,000	$221,000
Total, VA Medical Care	**$44,496,500**	**$48,183,000**	**$51,962,056**	**$48,404,000**	**$221,000**
MCCF Collections	$2,954,000	$3,355,000		$3,355,000	$0
Total, VA Medical Care (with Collections)	**$47,450,500**	**$51,538,000**	**$51,962,056**	**$51,759,000**	**$221,000**
Medical and Prosthetics Research	$581,000	$590,000	$700,000	$650,000	$60,000
Total, Veterans Health Administration	**$48,031,500**	**$52,128,000**	**$52,662,056**	**$52,409,000**	**$281,000**

[1/] The Independent Budget includes amounts attributable to medical care collections in its base funding level for the Medical Services Account.

VA medical care consists of the Medical Services, Medical Support and Compliance, and Medical Facilities accounts. Funding for the Veterans Health Administration includes the medical care accounts, and the Medical and Prosthetic Research account. Other VA accounts, such as Information Technology Systems and the construction accounts assist the VHA in operating the largest integrated health care system in the nation.

The Committee recommends $48.4 billion for VA medical care, which is $221 million above the Administration's FY 2011 budget request of $48.2 billion. When medical collections are included, the Committee recommends $51.8 billion in total available resources for VA medical care. This level is $200 million lower than the amount recommended by the Independent Budget.[2]

For VA Medical and Prosthetic Research, the Committee recommends an appropriated level of $650 million, $69 million above FY 2010 and $60 million above the Administration's request of $590 million.

Medical Services

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget[2]	FY 2011 Committee Recommendation	Recommendation vs. Request
$34,707,500	$37,136,000	$40,940,954	$37,136,000	$0

Description[3]

This account provides for medical services of eligible veterans and beneficiaries in VA medical centers, outpatient clinic facilities, contract hospitals, State homes, and outpatient programs on a fee basis. Hospital and outpatient care is also provided by the private sector for certain dependents and survivors of veterans under the civilian health and medical programs for the VA.

[2] The Independent Budget includes amounts attributable to medical care collections in its base funding level for the Medical Services account.

[3] Account descriptions are adapted from H. Rept. 111-188, to accompany H.R. 3082, the Military Construction, Veterans Affairs, and Related Agencies Appropriations Bill, 2010.

Recommendation

For FY 2011, the Administration requests $37.1 billion for the Medical Services account, an increase of $2.4 billion or 7 percent above the FY 2010 level.

The Committee supports the funding level requested by the Administration. This funding has been provided in the FY 2010 Consolidated Appropriations Act. The Committee is confident that this level will provide sufficient resources to enable the VA to provide high quality health care to veterans and to address many of the priorities shared by the Committee and the Administration. Some of these priorities include:

Mental Health – The Administration's budget request will enable the VA to expand key programs for post-traumatic stress disorder (PTSD) and traumatic brain injury (TBI), as well as the diagnosis and treatment of depression, substance abuse and other mental health problems. The Committee acknowledges the VA's robust investments in mental health; however, addressing mental health issues continues to be a challenge. This is evidenced by the rising rates of suicide, incarceration, and homelessness among our veterans. The Committee believes that the VA must not only expand existing efforts but also must explore new evidence-based initiatives with a proven track record for yielding positive program results.

Homeless Veterans – It is estimated that about one-third of the adult homeless population served the country in the Armed Services. The current population estimates suggest that over 130,000 veterans are homeless on any given night and twice as many experience homelessness at some point during the course of the year. Homelessness is also a growing problem for our veterans returning from Iraq and Afghanistan, especially as they as they face higher rates of PTSD and TBI.

The Committee applauds the VA's commitment to ending homelessness among our veterans. In addition to the various homeless proposals in the FY 2011 budget, the Committee encourages the VA to continue to increase resources dedicated to homeless prevention. While it is important to offer transitional housing and supportive services through such existing programs, it is equally important to make proper investments in preventing homelessness. The Committee recommends that initiatives to end homelessness not be targeted solely to the VHA, but also include the Veterans Benefits Administration (VBA) in coordinating the range of benefits available through the VA. This may include opportunities to obtain education and counseling along with other key benefits which may aid in preventing homelessness among our veterans.

Women Veterans – Today, there are approximately 1.7 million women veterans, or 7 percent of the nearly 25 million veterans. Assuming current enrollment rates, the number of female veterans who utilize the VA system will double in the next five years, making female veterans one of the fastest growing subgroups of veterans.

The Committee recognizes the VA's efforts to improve health care for women veterans, which includes proposals to institute a new peer call center and a social networking site. In addition to these efforts, the Committee encourages the VA to identify and study the unique challenges and barriers that women veterans face when seeking health care through the VA. This would assist the VA in taking the necessary steps to improve health care for women veterans. The Committee notes that H.R. 1211, the Women Veterans Health Care Improvement Act, passed the House of Representatives last year.

Among the provisions in the bill, the VA would be required to conduct a barriers study, offer child care, and provide time-limited medical care for newborn children of women veterans receiving maternity care.

The Committee encourages the VA to explore new innovative ways of expanding access and improving the quality of medical care provided to women veterans. The Committee also urges the VA to develop and follow a long-term plan for ensuring that women veterans receive health care that is equal to what male veterans receive through the VA as the VA looks toward the future of providing quality health care to all of our veterans.

Rural Veterans – Of the almost 8 million veterans who are enrolled in the VA health care system, about 3 million, or almost 40 percent, live in rural areas. The Committee concurs with the VA's proposed investments in rural outreach, which include expanded use of home-based primary care and mental health care along with technology-based solutions, including the VA's telehealth and telemedicine efforts. Additionally, the Committee believes that the VA must work to strengthen the role and influence of the Office of Rural Health so that it can work to coordinate and improve health care for enrolled rural veterans and disseminate best practices.

OEF/OIF (Operation Enduring Freedom/ Operation Iraqi Freedom) Veterans – In order to improve the VA's budget estimation capabilities and better forecast workload and demand, the Committee urges the VA to work with the Department of Defense to facilitate timely information exchange on the number of returning OEF/OIF servicemembers. Working more closely with the Department of Defense is even more crucial as additional troops are sent overseas and the VA works to update budget projection models to properly reflect current force levels.

The Committee recognizes the challenges of projecting medical care costs for OEF/OIF veterans given the range and types of health care services sought by our newest veterans. Some OEF/OIF veterans may only use VA occasionally for pharmacy benefits while others use VA extensively for treatment of catastrophic war injuries. VA's capability to accurately predict health care costs and demand for our newest veterans has a direct impact upon the VA's ability to provide health care to all of our veterans and the Committee encourages the VA to work towards more accurate per unit medical care cost projections for OEF/OIF veterans by refining their projection models.

Priority Group 8 Veterans – The VA expects to enroll more than 500,000 previously ineligible veterans into Priority Group 8 by FY 2013. Recent estimates also show that the VA will enroll about 193,000 veterans by the end of FY 2010. The Committee encourages the VA to improve outreach plans and work with veterans' groups as the VA works to undue the ban enrollment ban put in place in 2003.

Caregivers – Because the VA does not collect data on this population, the number of family members and friends who provide care for veterans is unknown. However, a July 2007 report released by the President's Commission on Care for America's Returning Wounded Warriors (the Dole-Shalala Commission) found that of the 1,730 injured OEF/OIF veterans surveyed, about 21 percent of active duty, 15 percent of the reserve, and 24 percent of retired or separated servicemembers had friends or family who gave up

a job to be the caregiver. As caregivers continue to play an important role as caretakers of veterans, the VA lags in offering supportive services for these caregivers.

The Committee commends the VA for recognizing the plight of caregivers by submitting several legislative proposals to help caregivers in the FY 2011 budget. These include providing health care, education, and training for caregivers, as well as paying for the travel expenses that caregivers may incur when accompanying the veteran to his or her medical appointments. However, these proposals lack key details about the target population of individuals who will receive these supportive services. We encourage the VA to work with the Committee to further define this target population and identify the range of supportive services that the Department proposes to offer.

Medical Support and Compliance

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$4,930,000	$5,307,000	$5,314,595	$5,307,000	$0

Description

The Medical Support and Compliance appropriation funds the expenses of management and administration of the VA health care system to include financial management, public health and environmental hazard, quality and performance management, medical inspection, human research oversight, training programs and continuing education, security, volunteer operations, and human resources.

Recommendation

For FY 2011, the Administration requests $5.3 billion for the Medical Support and Compliance account, an increase of $377 million, or 7.6 percent above the amounts provided in FY 2010.

The Committee supports the funding level requested by the Administration. This funding has been provided in the FY 2010 Consolidated Appropriations Act.

Medical Facilities

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$4,859,000	$5,740,000	$5,706,507	$5,961,000	$221,000

Description

The Medical Facilities appropriation provides funds for the operation and maintenance of the VA health care system's capital infrastructure. Included under this heading are provisions for costs associated with utilities, engineering, capital planning, leases, laundry, groundskeeping, garbage, housekeeping, facility repair, and property disposition and acquisition.

Recommendation

For FY 2011, the Administration requests $5.7 billion for the Medical Facilities account, an increase of $881 million or 18 percent above the FY 2010 level. Of the FY 2011 request, the Administration expects to obligate $1.1 billion for non-recurring maintenance, which is a decrease of $221 million from the updated obligations estimate for FY 2010.

The Committee recommends $6 billion for this account, which is $221 million above the Administration's request and $1.1 billion above the FY 2010 level. The Committee recommendation would restore non-recurring maintenance funding to the FY 2010 level.

Non-Recurring Maintenance – In FY 2010, the Administration estimated that they would obligate $972 million for non-recurring maintenance, but later revised this estimate to $1.3 billion. The Committee recommendation would restore the proposed funding cut to non-recurring maintenance and provides additional resources to address the non-recurring maintenance backlog. Additionally, the Committee applauds the VA's commitment to allocate at least 5 percent of the total Medical Facilities appropriations for non-recurring maintenance and minor construction projects of research facilities. The Committee supports the VA's efforts to ensure that sufficient resources are dedicated to combat the deterioration of the existing VA research infrastructure so that the VA may continue to promote excellence in research in state of the art facilities.

Medical and Prosthetic Research

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$581,000	$590,000	$700,000	$650,000	$60,000

Description

This account includes medical, rehabilitative, and health services research. Medical research is an important aspect of the VA's programs, providing complete medical and hospital services for veterans. The prosthetic research program is also essential in the development and testing of prosthetic, orthopedic, and sensory aids for the purpose of improving the care and rehabilitation of eligible disabled veterans, including amputees, paraplegics, and the blind. The health services research program provides unique opportunities to improve the effectiveness and efficiency of the health care delivery system. In addition, budgetary resources from a number of areas including appropriations from the medical care accounts, reimbursements from the Department of Defense (DOD), grants from the National Institutes of Health (NIH), private proprietary sources, and voluntary organizations provide support for the VA's researchers.

Recommendation

For FY 2011, the Administration requests $590 million for Medical and Prosthetic Research, which is $9 million or 1.5 percent above the FY 2010 level. VA also estimates additional program resources of $1.3 billion from private and federal grants, grants from the NIH, DOD, and Centers for Disease Control. The Committee notes that these estimates of additional program resources are never fully actualized by the VA, and has traditionally recommended increased appropriated funding levels to ensure that VA research receives the funding it needs to continue its world-class research efforts.

The Committee recommends $650 million for Medical and Prosthetic Research, an amount $60 million above the Administration's request and $69 million above the FY 2010 level.

The Bureau of Economic Analysis in the U.S. Department of Commerce estimates a 3.2 percent increase in the Biomedical Research and Development Price Index in FY 2011. This translates to $19 million, which is needed to maintain the research efforts at the FY 2010 level. The

Committee recommended funding for Medical and Prosthetic Research provides $10 million in addition to the $9 million already included in the Administration's request. The Committee recommendation would also provide an additional $50 million to increase funding for VA research grants.

General Operating Expenses

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$2,086,707	$2,611,973	$2,339,364	$2,629,973	$18,000

Description

The General Operating Expenses appropriation provides for the administration of non-medical veterans' benefits through the VBA and departmental management and support.

With the funding provided in this account, VBA administers the following programs:

- *Compensation and Pension Service* – VA provides service-connected compensation to veterans with disabilities incurred or aggravated during military service, dependency and indemnity compensation (DIC) to surviving spouses, children and low-income dependent parents of veterans, pension benefits to elderly and disabled low-income wartime veterans, death pension to the surviving spouses and children of wartime veterans and benefits to certain children of veterans who were disabled by spina bifida or other congenital conditions related to their parent's military service.
- *Education Service* – VA provides education assistance to servicemembers, veterans, and certain eligible survivors and dependents in exchange for military service. VA education assistance, including the Post-9/11 GI Bill and the Montgomery GI Bill, is used by the Armed Forces as a recruiting and retention tool, as well as a readjustment benefit for servicemembers seeking to achieve educational and vocational goals in the civilian workforce.
- *Housing (Loan Guaranty Service)* – VA assists veterans and servicemembers to purchase and retain homes in recognition of their service to the nation. VA's partial guarantee on loans made by private lenders enables veterans and servicemembers to purchase homes with little or no down payment, thereby making home ownership affordable to many veterans.
- *Vocational Rehabilitation and Employment (VR&E)* – VR&E provides employment services and assistance to enable veterans with service-connected disabilities to obtain suitable employment and, to the maximum extent possible, achieve independence in daily living.
- *Insurance* – The Insurance Program provides servicemembers and their families with universally available life insurance, as well as traumatic injury protection insurance. It also provides for the conversion to a renewable term insurance policy after a servicemember's separation from service and provides life insurance to veterans who have lost the ability to purchase commercial insurance at standard (healthy) rates due to lost or impaired insurability resulting from military service.

This account also supports all of the staff offices with General Administration, including the Office of the Secretary, the Board of Veterans' Appeals, General Counsel, Office of Management, Office of Human Resources and Administration, Office of Policy and Planning, Office of Operations, Security and Preparedness, Office of Public and Intergovernmental Affairs,

Office of Congressional and Legislative Affairs, and the Office of Acquisition, Logistics and Construction.

Recommendation

For FY 2011, the Administration requests $2.612 billion for the General Operating Expenses (GOE) account, which is an increase of $525 million above the $2.087 billion provided in FY 2010. This request includes $2.1 billion for VBA, $463 million for General Administration, and $24 million for the Administration's Acquisition Improvement Initiative.

The Committee recommends $2.630 billion, an increase of $18 million above the Administration's request and $543 million above the FY 2010 level. The Committee recommendation includes $15 million for 150 additional vocational rehabilitation and employment counselors and $3 million in additional funding for the Education division in order to assist with additional expenses, including any additional information technology expenses that are not covered within the Information Technology Systems account.

The Secretary, in his testimony before the Committee on February 4, 2010, stated, in regards to the VA's GOE request, that the:

> [L]argest increase in our 2011 budget request, in percentage terms, is directed to the Veterans Benefits Administration as part of our mitigation of the increased workload. The President's 2011 budget request for VBA is $2.149 billion, an increase of $460 million, or 27 percent, over the 2010 enacted level of $1.689 billion. The 2011 budget supports an increase of 4,048 FTEs, including maintaining temporary FTE funded through American Recovery and Reinvestment Act of 2009, P.L. 111-5. In addition, the budget also includes $145.3 million in information technology (IT) funds in 2011 to support the ongoing development of a paperless claims processing system.

The Committee supports this FTE increase, especially those FTE involved in processing applications for Post-9/11 GI Bill benefits and those associated with the claims process.

One of the biggest challenges facing the Administration is the veterans' compensation and pension claims backlog and the increasing delays veterans and survivors face in receiving their benefits. The Committee has taken steps to address this chronic problem, including supporting additional resources to hire more claims processors and beginning systemic reforms, most notably in title II of P.L. 110-389, the Veterans Benefits Improvement Act of 2008. The next step in the process is to explore more comprehensive reform, a reform effort led by VA, and informed by Congress, veterans and other stakeholders. In order for VA to reach its stated paperless claims processing system goal by 2012, this reform must utilize 21st Century technology, including electronic rules-based processing. Additionally, for achieving its business transformation effort within the VBA, which VA is coupling with the above-stated IT effort, VA should develop further its strategic plan with realistic and well-informed metrics and milestones, focus on the quality versus the quantity of its work product and ensure enhanced training of VBA's claims processing personnel.

Information Technology Systems

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$3,307,000	$3,307,000	$3,552,884	$3,307,000	$0

Description

The Information Technology Systems account was established in P.L. 109–114. The account previously encompassed the entire nonpay information technology portfolio for the VA, including all automation efforts in all administrations. Starting in FY 2007, and reflected for the first time in the budget request for FY 2008, this account also includes pay and associated costs for information technology staff.

Recommendation

For FY 2011, the Administration requests $3.307 billion for the Information Technology (IT) Systems account, which is the same as the amounts provided in FY 2010. This includes $1.3 billion in Medical IT investments; $380 million for Benefits and Memorials IT investments; $527 million in Corporate IT investments for the VA's Corporate 21st Century Core initiative; and $158 million in Inter-agency IT investments, which includes funds for the Virtual Lifetime Electronic Record (VLER) and the Bi-directional Health Information Exchange (BHIE).

The Committee recommends the amount requested by the Administration as the VA plots a path forward in ensuring that the VA's IT efforts support the missions of the VA. We intend to closely monitor funding committed to support the VA's electronic medical records and IT efforts in the benefits and claims processing areas.

National Cemetery Administration

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$250,000	$250,504	$274,500	$250,504	$0

Description

The National Cemetery Administration was established in accordance with P.L. 93–43, the National Cemeteries Act of 1973. It has a fourfold mission: to provide for the interment of, in any national cemetery with available grave space, the remains of eligible deceased servicemembers and discharged veterans, together with their spouses and certain dependents, and to permanently maintain their graves; to provide headstones for, and to mark graves of eligible persons in national, State, and private cemeteries; to administer the grant program for aid to States in establishing, expanding, or improving State veterans' cemeteries; and to administer the Presidential Memorial Certificate Program. This appropriation will provide for the operation and maintenance of 164 cemeterial installations in 39 States, the District of Columbia, and Puerto Rico.

Recommendation

For FY 2011, the Administration requests $250.5 million for the National Cemetery Administration, which is $504,000 or 0.2 percent above the FY 2010 level. With the requested funding, the VA will determine where new national veterans cemeteries should be built based on a new population threshold of 80,000 veterans (170,000 veterans under current policy) living

within 75 miles of a potential cemetery site. This reflects a significant decrease in the population threshold, which means that more veterans will have access to a veterans' cemetery burial option within 75 miles of their residence.

The Committee supports the Administration's requested funding level.

Office of Inspector General

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$109,000	$109,367	$112,020	$121,367	+$12,000

Description

The Office of Inspector General was established by the Inspector General Act of 1978 and is responsible for the audit, investigation, and inspection of all VA programs and operations. The overall operational objective is to focus available resources on areas which would help improve services to veterans and their beneficiaries, assist managers of VA programs to operate economically in accomplishing program goals, and to prevent and deter recurring and potential fraud, waste, and inefficiencies.

Recommendation

In FY 2011, the Administration requests $109.4 million for the Office of Inspector General (IG), which is an increase of $367,000 or 0.3 percent above the FY 2010 level. With this funding request, the Office of Inspector General will be able to maintain 576 FTEs, the same staffing total funded with the amounts provided in FY 2010.

The Committee recommends an additional $12 million for this account to better match the resource requirements of the IG for FY 2011.

At the Subcommittee on Oversight and Investigations budget hearing on the Office of Inspector General and Information Technology accounts, the Deputy Inspector General testified that a stagnant budget could limit the IG's ability to take on new oversight initiatives. The limited resources also would result in the IG conducting reactive investigations and would reduce their ability to conduct proactive investigations.

Construction, Major Projects

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$1,194,000	$1,151,036	$1,295,000	$1,151,036	$0

Description

The Construction, Major Projects appropriation provides for constructing, altering, extending, and improving any of the facilities under the jurisdiction or for the use of the VA, including planning, architectural and engineering services, assessments, and site acquisition where the estimated cost of a project is $10,000,000 or more.

Recommendation

For FY 2011, the Administration requests $1.2 billion, a decrease of $43 million, or 3.6 percent below the FY 2010 level. The Administration's request includes $1 billion for VHA-related construction and $107 million for NCA-related construction.

The VHA-related construction request totaling $1.2 billion includes the following:

Location	Description	Total Estimated Cost	Funding Through 2010	2011 Request
New Orleans, LA	New Medical Facility	$995,000,000	$625,000,000	$310,000,000
Denver, CO	New Medical Facility	$800,000,000	$307,300,000	$450,700,000
Palo Alto, CA	Polytrauma/ Ambulatory Care	$642,900,000	$164,877,000	$30,000,000
Alameda Point, CA	Outpatient Clinic and Columbarium (Design)	$208,600,000	$0	$17,332,000
Omaha, NE	Replacement Facility (Design)	$560,000,000	$0	$56,000,000
Advance Planning Fund	Various Stations			$89,750,000
Facility Security Projects	Various Stations			$41,390,000
Judgment Fund	Various Stations			$6,000,000
BRAC Land Acquisition	Various Stations			$13,000,000
Resident Engineers for Major Construction	Various Stations			$23,964,000

The NCA-related construction request totaling $107 million includes the following:

Location	Description	Total Estimated Cost	Funding Through 2010	2011 Request
Indiantown Gap, PA	Gravesite Expansion & Cemetery Improvements-Phase 4	$23,500,000	$0	$23,500,000
Los Angeles, CA	Columbarium Expansion	$27,600,000	$0	$27,600,000
Tahoma, WA	Gravesite Expansion & Cemetery Improvements – Phase 2	$25,800,000	$0	$25,800,000
Advance Planning Fund	Various Stations			$20,000,000
NCA Land Acquisition Fund	Various Stations			$10,000,000

The Committee supports the Administration's requested funding level of $1.2 billion. As stated previously, the Committee plans on working to include additional construction resources when any opportunities present themselves.

Construction, Minor Projects

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$703,000	$467,700	$785,000	$632,700	+$165,000

Description

The Construction, Minor Projects appropriation provides for constructing, altering, extending, and improving any of the facilities under the jurisdiction or for the use of the VA, including planning, assessment of needs, architectural and engineering services, and site acquisition, where the estimated cost of a project is less than $10,000,000.

Recommendation

For FY 2011, the Administration requests $467.7 million, a decrease of $235 million, or 33.5 percent below the level provided in FY 2010. This request includes $387 million for VHA, $43 million for NCA, $15 million for VBA, and $23 million for General Administration staff offices.

The Committee recommends $632.7 million, an increase of $165 million above the Administration's request. The Committee's recommendation will bring the FY 2011 levels closer to the FY 2010 funding level for this account which provides funding for construction projects where the estimated cost is under $10 million. The VA faces a huge backlog in these projects and additional resources will help address this backlog while supporting VA facilities across the nation.

Grants for Construction of State Extended Care Facilities

($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$100,000	$85,000	$275,000	$175,000	+$90,000

Description

This program provides grants to assist States to construct State home facilities, for furnishing domiciliary or nursing home care to veterans, and to expand, remodel or alter existing buildings for furnishing domiciliary, nursing home or hospital care to veterans in State homes. A grant may not exceed 65 percent of the total cost of the project.

Recommendation

For FY 2011, the Administration requests $85 million, a decrease of $15 million, or 15 percent below the level provided in FY 2010. The Committee recommends $175 million, an increase of $90 million above the Administration's request and $75 million above the FY 2010 level.

According to the 2000 Census, there were 9.7 million veterans age 65 and older in the U.S and Puerto Rico. The number of men age 85 and older who are veterans has increased drastically from 150,000 in the 1990 Census to 400,000 in the 2000 Census, and is expected to increase drastically to 1.2 million by the 2010 Census. With this significant growth in the aging veteran population, the Committee recognizes the important role that state homes play in the VA's long-term care strategy. As such, the Committee believes that the VA must begin to address the state home backlog. With the Committee's recommended funding increase, the VA can begin to reduce the backlog of Priority Group 1 state home projects, which are those projects that have

state funding to begin construction but are waiting for funding from the VA. According to the VA's "FY 2010 Priority List of Pending State Home Construction Grant Applications," there are 53 Priority Group 1 projects with an estimated $405 million in VA grant costs.

Grants for Construction of State Veterans Cemeteries
($ in thousands)

FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$46,000	$46,000	$51,000	$51,000	+$5,000

Description
This program provides grants to assist States with the establishment, expansion, and improvement of State veterans' cemeteries which are operated and permanently maintained by the States. Grants under this program fund up to 100 percent of construction costs and the initial equipment expenses when the cemetery is established. The States remain responsible for providing the land and for paying all costs related to the operation and maintenance of the State cemeteries, including the costs for subsequent equipment purchases.

Recommendation
For FY 2011, the Administration requests $46 million, which is the same as the FY 2010 enacted level.

The Committee recommends a funding level of $51 million, an increase of $5 million above the Administration's request and $5 million above the FY 2010 level. The Committee recommendation would provide additional resources to match what the VA expects to obligate for these grants in FY 2010.

Department of Labor

Veterans Employment and Training Service (VETS)

The Assistant Secretary for VETS serves as the principal advisor to the Secretary of Labor on all policies and procedures affecting veterans' employment matters. VETS furnishes employment and training services to servicemembers and veterans through a variety of programs, including providing grants to States, public entities and non-profit organizations, including faith-based organizations, to assist veterans seeking employment. VETS also investigates complaints filed under veterans' preference and re-employment laws. Specifically, VETS administers the following programs: DVOP/LVER state grant program; Transition Assistance Program; Veterans' Preference and Uniformed Services Employment and Reemployment Rights Act (USERRA); Homeless Veterans' Reintegration Program (HVRP); Veterans Workforce Investment Program (VWIP); Federal Contractor Program; and, the National Veterans' Training Institute (NVTI). The Administration requested a total of $262.5 million in FY 2011 to support the staffing and grant-making ability of VETS. This is a $6.4 million increase over amounts provided in FY 2010. The Committee recommends an increase of $66 million for VETS, for a total funding level of $328.5 million. This recommended level would provide an additional $31 million for State Grants in order for States to hire more DVOP and LVER staff to better manage the One-Stop Career Centers, military facilities, VR&E offices, and HVRP to provide better priority services to veterans. Committee recommends an additional $2 million to HVRP. Although accurate numbers are impossible to come by – no one keeps national records on

homeless veterans – current estimates suggest that as many as 130,000 veterans are homeless on any given night and twice as many experience homelessness at some point during the course of the year. According to the National Survey of Homeless Assistance Providers and Clients (U.S. Interagency Council on Homelessness and the Urban Institute, 1999), veterans account for 23 percent of all homeless people in America. The Committee also recommends increasing the funding level for VWIP to $30 million. Not all States participate in VWIP grants. This is due not to a lack of eligible participants, but to a lack of resources. Providing an additional $30 million will provide assistance to more participants and would further enable the Administration to provide more green energy-related jobs for veterans and afford veterans with more marketable skills in a tough economy. The Committee also recommends an additional $3 million in funding for the NVTI. These additional resources will better assist NVTI in providing the training necessary to be a successful DVOP/LVER and provide sufficient resources to meet any expansion of the training requirement.

Other Agencies

American Battle Monuments Commission

($ in thousands)

FY 2010 Enacted	FY 2011 Administration Request	Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$62,675	$64,200	N/A	$64,200	$0

Description

The American Battle Monuments Commission is responsible for the administration, operation and maintenance of cemetery and war memorials to commemorate the achievements and sacrifices of the American Armed Forces where they have served since April 6, 1917. In performing these functions, the Commission maintains 24 permanent American military cemetery memorials and 31 monuments, memorials, markers, and offices in 15 foreign countries, the Commonwealth of the Northern Mariana Islands, and the British dependency of Gibraltar. In addition, six memorials are located in the United States: the East Coast Memorial in New York; the West Coast Memorial, The Presidio in San Francisco; the Honolulu Memorial in the National Memorial Cemetery of the Pacific in Honolulu, Hawaii; and the American Expeditionary Forces Memorial, the World War II, and Korean War Veterans Memorials in Washington, DC.

Recommendation

For FY 2011, the Administration is requesting a total of $84.8 million for the ABMC consisting of $64.2 million for salaries and expenses and $20.2 million for costs associated with foreign currency fluctuations. The Committee recommends that the requested level be provided in FY 2011.

U.S. Court of Appeals for Veterans Claims

($ in thousands)

FY 2010 Enacted	FY 2011 Administration Request	Independent Budget	FY 2011 Committee Recommendation	Recommendation vs. Request
$27,115	$90,147	N/A	$90,147	$0

Description

The Veterans' Judicial Review Act established the U.S. Court of Appeals for Veterans Claims. The Court reviews appeals from claimants seeking review of a benefit denial. The Court has the authority to overturn findings of fact, regulations, and interpretations of law.

Pro bono program.—The Legal Services Corporation administers a grant program to provide pro bono representation and legal assistance to claimants who file appeals with the Court. The Congress funds the grant program through the Court's appropriation. To maintain impartiality, the Court does not administer the program or comment on the program's budget estimate.

Recommendation

The Administration has requested a total appropriation for the Court of $90.1 million. This includes $62 million for the construction of a new courthouse that would be transferred to the General Services Administration. The Court's budget submission also includes $2.5 million for the Pro Bono Representation Program administered by the Legal Services Corporation. The Committee recommends the requested level of $90.1 million be provided in FY 2011.

Section 2 – Mandatory Accounts

The Committee will look to improve veterans' benefits as well as address improvements to VA educational assistance programs. The Committee will also be facing a number of expiring authorities over the next few years which will need to be continued in order for veterans not to see a diminution in benefits. These efforts will require appropriate offsets or a commitment by Congress to improve these earned benefits.

Congress may also need to provide the Committee with some flexibility in mandatory spending as the Committee begins to take steps to improve the claims processing system and looks to bring the veterans benefits system into alignment with the current needs of veterans in a new century.

Section 3 – Other Matters

Section 425 of S. Con. Res. 13, the FY 2010 Budget Resolution, states that:

> [A]ll committees are directed to conduct rigorous oversight hearings to root out waste, fraud, and abuse in all aspects of Federal spending and Government operations, giving particular scrutiny to issues raised by the Federal Office of the Inspector General or the Comptroller General of the United States. Based upon these oversight efforts, the committees are directed to make recommendations to reduce wasteful Federal spending to promote deficit reduction and long-term fiscal responsibility. Such recommendations should be submitted to the House Committee on the Budget in the views and estimates

reports prepared by committees as required under 301(d) of the Congressional Budget Act of 1974.

The Committee will continue its vigorous oversight efforts over the VA, the benefits we provide to veterans and the programs in place to serve them. The Committee is committed to working with the Administration to assist in efforts to transform the VA into a 21st Century organization that puts the needs of veterans first. As part of that effort we have pledged to look at programs and benefits for veterans anew and bring innovative ideas to the forefront.

The Committee will be working tirelessly to ensure that veterans receive the health care they deserve while we ensure that taxpayer dollars are used wisely and to their full extent; we will be looking at ways we can transform the manner in which VA provides benefits and services, and we will look at ways to make the VA more accountable for the unprecedented resources we have provided. The Committee has recommended funding levels above the Administration's request for the IG in order to assist the Committee in identifying instances where VA resources are not spent as efficiently as possible or are spent inappropriately.

Section 4 – Chart (on following page)

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED ELEVENTH CONGRESS

Views and Estimates
FY 2011 Budget of the Department of Veterans Affairs
($ in thousands)

March 5, 2010

Discretionary Accounts	FY 2010	FY 2011 Administration Request	FY 2011 Independent Budget [1/]	FY 2011 Committee Recomm.	Committee Recomm. vs. FY 2010	Committee Recomm. vs. Administration's Request	Committee Recomm. vs. Independent Budget [1/]
Medical Services [1/]	34,707,500	37,136,000	40,940,954	37,136,000	+2,428,500	0	-3,804,954
Medical Support and Compliance	4,930,000	5,307,000	5,314,595	5,307,000	+377,000	0	-7,595
Medical Facilities	4,859,000	5,740,000	5,706,507	5,961,000	+1,102,000	+221,000	+254,493
Total, Medical Care	**44,496,500**	**48,183,000**	**51,962,056**	**48,404,000**	**+3,907,500**	**+221,000**	**-3,558,056**
Medical Care Collections Fund (non-add) [1/]	*2,954,000*	*3,355,000*		*3,355,000*	*+401,000*	*0*	*+3,355,000*
Total, Medical Care with Collections (non-add)	***47,450,500***	***51,538,000***	***51,962,056***	***51,759,000***	**+4,308,500**	**+221,000**	**-203,056**
Medical and Prosthetic Research	**581,000**	**590,000**	**700,000**	**650,000**	**+69,000**	**+60,000**	**-50,000**
General Operating Expenses	2,086,707	2,611,973	2,339,364	2,629,973	+543,266	+18,000	+290,609
Information Technology Systems	3,307,000	3,307,000	3,552,884	3,307,000	0	0	-245,884
National Cemetery Administration	250,000	250,504	274,500	250,504	+504	0	-23,996
Office of Inspector General	109,000	109,367	112,020	121,367	+12,367	+12,000	+9,347
Construction, Major Projects	1,194,000	1,151,036	1,295,000	1,151,036	-42,964	0	-143,964
Construction, Minor Projects	703,000	467,700	785,000	632,700	-70,300	+165,000	-152,300
Grants for Construction of State Extended Care Facilities	100,000	85,000	275,000	175,000	+75,000	+90,000	-100,000
Grants for Construction of State Veterans Cemeteries	46,000	46,000	51,000	51,000	+5,000	+5,000	0
Total, Departmental Administration	**7,795,707**	**8,028,580**	**8,684,768**	**8,318,580**	**+522,873**	**+290,000**	**-366,188**
Other Discretionary [2/]	**166,103**	**164,738**	**170,482**	**164,738**	**-1,365**	**0**	**-5,744**
Total, VA Discretionary	**53,039,310**	**56,966,318**	**61,517,306**	**57,537,318**	**+4,498,008**	**+571,000**	**-3,979,988**
Medical Care Collections Fund (MCCF) [1/]	*2,954,000*	*3,355,000*	*0*	*3,355,000*	*+401,000*	*0*	*+3,355,000*
Total, VA Discretionary with MCCF collections	***55,993,310***	***60,321,318***	***61,517,306***	***60,892,318***	**+4,899,008**	**+571,000**	**-624,988**

[1/] The Independent Budget includes amounts attributable to medical care collections in its base funding level for the Medical Services Account.

[2/] Other Discretionary includes the administrative expenses for the Veterans Housing Benefit Program Fund and the Vocational Rehabilitation Loan Program, as well as the Native American Veterans Housing Loan Program. In addition, it includes the program fund and credit subsidy totals for the Vocational Rehabilitation Loan Program and the Native American Veteran Housing Loan Program.

ADDITIONAL VIEWS AND ESTIMATES, COMMITTEE ON VETERANS' AFFAIRS, FISCAL YEAR 2010

REP. JOE DONNELLY

I support many of the recommendations of the House Committee on Veterans' Affairs Views and Estimates of the Fiscal Year 2011 budget. I am proud to be part of a committee that continues to push for the expansion of eligibility for access to care for our veterans, tackle the disability claims backlog, and improve veterans' education benefits.

Additionally, I would support the committee seeking additional major construction funds should Congress consider any additional supplemental, emergency, or economic recovery appropriations; the backlog of projects both partially funded and completely unfunded is too deep to fulfill the needs of our veterans for reasonable access to care. However, I believe the committee should have requested more funds for major construction for regular FY 2011 appropriations. In the administration's FY 2011 budget request, only $73 million is requested for a list of 61 newly scored major construction projects totaling well over $8 billion.

Too often, veterans in my district—and across the country—are forced to drive hours and hundreds of miles to seek the care they were promised in return for their service and sacrifice to our country. But veterans and their families are not alone in recognizing the need for expanded healthcare services in north central Indiana.

In September 2008, a Subcommittee on Health roundtable discussion was held in South Bend. Representatives from the subcommittee, the local VA, local veterans service organizations, and the community discussed access to care in the South Bend area, where the South Bend CBOC has more than 8,000 veterans enrolled and sees approximately 200 patients each day. Following this discussion, the Department of Veterans Affairs announced in April 2009 plans for a new healthcare center in South Bend, raising the hopes of thousands of Hoosier veterans and the community that the days of hours-long travel for healthcare would soon be over. I was pleased to see it listed on the VA's major construction list but disappointed that the administration did not request funds for FY 2011 construction.

On behalf of the veterans and communities of my district, I recommend additional funds for the major construction accounts in order to accelerate the building of these projects and to provide veterans like those in north central Indiana with the access to healthcare they deserve and have spent years waiting for.

DEMOCRATS

BOB FILNER, CALIFORNIA, CHAIRMAN

CORRINE BROWN, FLORIDA
VIC SNYDER, ARKANSAS
MICHAEL H. MICHAUD, MAINE
STEPHANIE HERSETH SANDLIN, SOUTH DAKOTA
HARRY E. MITCHELL, ARIZONA
JOHN J. HALL, NEW YORK
DEBORAH L. HALVORSON, ILLINOIS
THOMAS S.P. PERRIELLO, VIRGINIA
HARRY TEAGUE, NEW MEXICO
CIRO D. RODRIGUEZ, TEXAS
JOE DONNELLY, INDIANA
JERRY MCNERNEY, CALIFORNIA
ZACHARY T. SPACE, OHIO
TIMOTHY J. WALZ, MINNESOTA
JOHN H. ADLER, NEW JERSEY
ANN KIRKPATRICK, ARIZONA
GLENN C. NYE, VIRGINIA

MALCOM A. SHORTEH
STAFF DIRECTOR

U.S. House of Representatives

COMMITTEE ON VETERANS' AFFAIRS

ONE HUNDRED ELEVENTH CONGRESS

335 CANNON HOUSE OFFICE BUILDING

WASHINGTON, DC 20515

http://veterans.house.gov

REPUBLICANS

STEVE BUYER, INDIANA, RANKING

CLIFF STEARNS, FLORIDA
JERRY MORAN, KANSAS
HENRY E. BROWN, JR., SOUTH CAROLINA
JEFF MILLER, FLORIDA
JOHN BOOZMAN, ARKANSAS
BRIAN P. BILBRAY, CALIFORNIA
DOUG LAMBORN, COLORADO
GUS M. BILIRAKIS, FLORIDA
VERN BUCHANAN, FLORIDA
DAVID P. ROE, TENNESSEE

KINGSTON E. SMITH
REPUBLICAN STAFF DIRECTOR
AND CHIEF COUNSEL

March 5, 2010

Honorable John Spratt
Chairman
Committee on the Budget
207 Cannon House Office Building
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, House Rule X, clause 4(f), and Rule 7 of the Rules of the Committee on Veterans' Affairs, I herewith submit to the Committee on the Budget the Views and Estimates of the Republican Members of the Committee on Veterans' Affairs regarding the Administration's fiscal year (FY) 2011 budget request for the Department of Veterans Affairs (VA) with regard to programs and matters within the jurisdiction of the Committee.

The Republican Views and Estimates address the major areas of focus essential to fulfilling our nation's commitment to veterans. Overall, the Republican Members generally agree with the President's FY 2011budget proposal but believe additional funds are required in critical areas.

These areas include health care and benefits programs for wounded warriors, particularly for medical and prosthetic research programs, prosthetic services, and rehabilitation. We also strongly advocate a special emphasis on helping veterans qualify for and find meaningful employment during these difficult economic times, and on ensuring that veterans have access to VA health care regardless of where they live.

We look forward to working with our Committee's Majority Members as well as the Members of the Budget Committee to put forth a budget that will honor and enhance the lives of our nation's veterans, as well as remain fiscally responsible to the American taxpayer.

Sincerely,

Steve Buyer
Ranking Republican Member

Cliff Stearns
Deputy Ranking Republican Member

Jerry Moran
Committee Member

Jeff Miller
Committee Member

Brian P. Bilbray
Committee Member

Gus M. Bilirakis
Committee Member

David P. Roe
Ranking Republican Member
Subcommittee on Oversight and Investigations

Henry E. Brown, Jr.
Ranking Republican Member
Subcommittee on Health

John Boozman
Ranking Republican Member
Subcommittee on Economic Opportunity

Doug Lamborn
Ranking Republican Member
Subcommittee on Disability Assistance & Memorial Affairs

Vern Buchanan
Committee Member

cc: The Honorable Bob Filner, Chairman, House Committee on Veterans' Affairs
The Honorable Paul Ryan, Ranking Member, House Committee on the Budget

COMMITTEE ON VETERANS' AFFAIRS

REPUBLICAN VIEWS AND ESTIMATES FOR FISCAL YEAR 2011

March 5, 2010

OVERVIEW

For veteran's healthcare and program costs in fiscal year (FY) 2011, the Administration has requested a total of $125 billion. For discretionary spending, the Administration has requested $60.3 billion, and for mandatory spending, the Administration has requested $64.7 billion.

For veterans' program costs in FY 2011, Republican Members of the Committee on Veterans' Affairs recommend $ 113.7 million above the Administration's request for discretionary spending, as follows: Compensation and Pension Training and Performance Support Systems, $5 million; Compensation and Pension Skills Certification, $10 million; Vocational Rehabilitation and Employment Service, 200 additional Full Time Equivalents (FTE), $20.4 million; Training of State Veterans Employment Service staff at the National Veterans Training Institute, $2 million; Veterans Training Program Veterans Employment and Training Service (VETS) Workforce Investment Program, $11 million; National Cemeteries and Related Agencies National Shrine Commitment, $10 million; Office of the Inspector General, 230 additional FTE, $50 million; Department of Labor VETS program, 50 additional FTE, $5.3 million.

For veteran's healthcare costs in FY 2011, Republican Members of the Committee on Veterans' Affairs recommend $200 million above the Administration's request for discretionary spending, as follows: Veterans' Court, $10 million; Medical and Prosthetic Research, $50 million; Prosthetic Limb Program Modernization, $20 million; Recreational Therapy, $30.6 million; and Rural Health Initiative, $89.4 million. These increases would be funded through a fee-basis care recovery program within the Veterans Health Administration (VHA) estimated to generate recoveries of at least $200 million annually.

Finally, we recommend that $2.3 billion be used from the Administration's $100 billion jobs creation and economic recovery request to fund legislative initiatives to promote job readiness programs for veterans and a small business loan guarantee program for veterans.

In total, the Republican Members recommend an increase of $2.66 billion in discretionary and mandatory spending above the Administration's request for veterans' healthcare and program costs, and for legislative initiatives in FY 2011.

DEPARTMENT OF VETERANS AFFAIRS

Veterans Benefits Administration

Compensation and Pension Service – The President's FY 2011 budget request for Compensation and Pension Service (C&P) seeks $53.5 billion.

The President has proposed a budget that provides an additional $460 million to fund 4,048 additional permanent FTE to process claims for benefits. Over 3,900 of those new employees are slated for the Compensation and Pension Service (C&P). Republican Members believe that an increase in Veterans Benefits Administration (VBA) personnel is in order, but allocating 97 percent to C&P does not meet the pressing needs also found in the Vocational Rehabilitation and Employment Service (VR&E) and the Education Service (ES). Therefore, Republican Members recommend an additional $20.4 million to fund additional permanent FTE for VR&E and $18.5 million for the ES.

It is important to note that according to VA, it takes at least two years for new C&P claims processors to become effective. However, the VR&E program hires highly credentialed staff who require little training beyond understanding the VA's paperwork program and are effective almost immediately. Similarly, the training period for education claims processors is measured in weeks rather than years and new ES staff are productive relatively soon after hiring.

Republican Members generally agree with the President's request for C&P, but recommend an additional $5 million for Training and Performance Support Systems, and an additional $10 million for skills certification required by P.L. 110-389.

Republican Members are deeply concerned about the growing size of the backlog of claims for VA disability compensation. The number of unresolved claims has soared over the past year. More than 400,000 new claims are now pending, with an additional 200,000 decisions being appealed. The numbers grew despite the nearly 4,000 additional employees VA has hired since 2007.

Additionally, VA recently established new regulations to make it easier for Vietnam veterans who were exposed to the Agent Orange herbicide to receive service-connected compensation. VA expects a significant increase in workload as a result of the regulatory change.

Republican Members believe a multifaceted approach is necessary for VA to overcome the challenges it faces. This approach includes a paradigm shift that involves placing a high level of priority on quality of work as well as quantity. To do so, VA must place greater emphasis on employee training and accountability.

We have long recognized the need for technological improvements in VA's business process, including the development of a paperless adjudication system. VA is striving to meet the requirements of the Veterans Disability Benefits Claims Modernization Act of 2008, which became part of P.L. 110-389. VA's efforts include creation of the Veterans Benefits Management System (VBMS) to replace its antiquated paper-driven process.

Vocational Rehabilitation and Employment (VR&E) – The President's budget proposes to reduce the VR&E staff by nine FTE. During the VA's Budget hearing testimony, the Department described the decrease as an artifact of how personnel costs are allocated. The President's budget estimates a 10 percent increase in caseload over FY 2010 and an increase of 20 percent over FY 2009. With the President's budget proposal, VR&E staff levels would result in an average caseload of approximately 150 per counselor. At the same time, the number of disabled veterans returning home from the current conflicts is increasing. Therefore, Republican Members believe it is imperative to increase the number of VR&E staff to decrease the average caseload and shorten the time it takes to begin rehabilitation.

The VR&E program has five tracks ranging from immediate employment services to long term education and training. Regardless of the track, all veterans desiring to participate in the VR&E program must complete the phases that include application for the benefit, determination of eligibility, evaluation, and planning. According to VA, this process typically takes about 171 days to complete. During that time, a significant number of veterans withdraw from the program, many because of the need to work to support their families. By increasing the VR&E staff levels, the extended period of application and evaluation should be reduced, resulting in fewer dropouts and a higher rehabilitation rate.

Therefore, we agree with the authors of the Independent Budget that VR&E direct service staff levels should be increased by 200 FTE with a cost of approximately $20.4 million. Republican Members recommend an additional $20.4 million above the President's request to fund the recommended 200 additional FTE for the VR&E Service. Such an increase would reduce the average caseload to just over 100.

The President's budget also proposed about $165.4 million for the existing state grant program to fund the Disabled Veterans Outreach Program Specialists (DVOPS) and Local Veterans Employment Representatives (LVER). DVOPS and LVER are state employment service staff whose mission is to provide intensive job placement services to disabled veterans and outreach to employers to promote hiring veterans in general. The President also proposed $8 million to fund additional DVOPS and LVER to support the Transition Assistance Program (TAP). While Republican Members are supportive of providing these employment services to veterans, the Members believe this additional $8 million should be used to provide TAP services at U.S. bases through contract. By using contract personnel, Republican Members believe the President's proposal will enable DVOPS and LVER to focus on providing direct employment services to veterans.

Education – VA's strategic goal is 26 days to adjudicate an original claim for education benefits. It currently takes 47 days.

To meet the influx of the new Post 9/11 GI Bill claims, VA increased ES staffing to 1,889 FTE in FY 2010 by hiring several hundred short term personnel. The President's budget proposes to reduce ES direct FTE from 1,889 to 1,521. That decrease reflects shifting some of the term employees hired to augment the permanent claims processing staffs to permanent employees.

Most of the remaining term employees would be released to reflect implementation of a new information technology system to automate education claims processing.

However, Republican Members remain skeptical of the Department's ability to meet the proposed December 2010 implementation date for the new IT system. Therefore, Republican Members recommend reallocating $18.5 million in General Operating Expenses funds from the President's budget to maintain the current mix of 1,889 permanent and term FTE employees for the entire FY 2011. Maintaining the current level of FTE should enable VA to meet the VA's strategic processing goals in case of a slip in IT delivery and to bridge the transition period from manual to automated processing.

National Cemeteries and Related Agencies

The President's FY 2011 budget request for the National Cemetery Administration (NCA) seeks $251 million.

Republican Members generally concur with the President's request for NCA, but recommend an additional $10 million be included to continue the National Shrine Commitment at NCA. This additional funding would ensure the highest possible standards for all of our veterans' final resting places, and would be used for infrastructure projects such as irrigation, renovation of historic structures, headstone cleansing, and road resurfacing.

Additionally, we recommend a comprehensive and independent study of the federal veterans' cemeteries under the jurisdiction of the VA National Cemetery Administration, the American Battle Monuments Commission, the Department of the Army, and the Department of Interior. This study would identify areas for improvement to ensure a consistent, high standard is maintained for veterans' cemeteries. Republican Members are concerned that having four different agencies share this responsibility has led to four different standards of upkeep and appearance of veterans' cemeteries.

Veterans Health Administration

Medical Services – Republican Members recommend $37.3 billion for medical services, which is $200 million more than the Administration's request. Further, Republican Members recommend that VA conduct a recovery audit for outpatient medical services that we expect would provide additional resources of at least $200 million. We expect that this recommendation would accommodate for health care inflation, estimated workload, and the following initiatives:

> *Rural Health Care* – Republican Members are concerned that VA has not implemented section 403 of Public Law 110-387, which establishes a three-year pilot program in five Veterans Integrated Service Networks (VISNs) for veterans in highly rural areas who elect to receive healthcare from non-VA healthcare providers. Therefore,

we recommend an additional $89.4 million to move forward with this important initiative.

Prosthetic Limb Program Modernization – We are encouraged by VA's intent to obligate an additional $148 million to modernize VA's prosthetic limb program. However, Republican Members recommend an additional $20 million because it is vitally important that VA be capable, system-wide of meeting the needs of the younger and more active amputees with the latest technology and providing consistent and coordinated state-of-the art care regardless of where the veteran amputee lives.

Mental Health Initiatives – We are also encouraged by VA's intent to obligate an additional $410 million or nine percent increase to support the implementation of the Mental Health Strategic Plan and the hiring of additional new mental health professionals to ensure all veterans have access to these vital services throughout the system.

Recreation Therapy Services – Republican Members recommend an increase in obligations for recreation therapy services of $30.6 million. We are concerned that recreation therapy services are not consistently funded system-wide. Further, the budget does not identify obligations for such services. Therefore, Republican Members also recommend that VA provide a separate budget line item to track and account for the allocation of funds for recreation therapy services at each VA medical center.

Republican Members believe this is important because VA recreation therapy supports wellness programs and provides the first opportunity to engage veterans in sports as a part of their rehabilitation. The Congress recognized the value of sports in rehabilitation with the enactment of Public Law 110-389. This law requires VA to award grants through the United States Olympic Committee to grassroots organizations to plan, develop, manage, and implement an integrated adaptive sports program for disabled veterans and disabled members of the Armed Forces.

Veterans Justice Outreach (VJO) Program – Republican Members wholeheartedly support the VJO program VA launched in 2009 to work with local justice system partners to provide outreach and alternative treatment for justice-involved veterans, including Veterans' courts, drug courts, and mental health courts. The budget request includes plans for 40 full-time VJO specialist positions. Republican Members recommend an additional $10 million for funding 113 more full time specialist positions to accommodate full time positions in each VA medical center.

Medical Care Collections Fund – We are pleased with the progress VA has made in improving third-party collections. In FY 2009, VA exceeded the projection level. Additionally, Republican Members are encouraged and pleased with the Secretary's decision to pursue a more aggressive timeline to consolidate their collection activities at seven Consolidated Patient Accounting Centers (CPAC).

Outpatient Audit and Recovery Program - The Office of Inspector General (IG) reported a net cost to the Department due to errors in the process VA uses for paying fee basis bills of $865 million over five years. While VA currently employs a recovery audit for inpatient medical services, it has not yet used the authority Congress provided to conduct a recovery audit program for outpatient medical services. The current inpatient program has identified about $6.8 million in overpayments in 2009 and over $109 million in the program to date. We recommend that VA conduct a similar audit and recovery program for outpatient medical services. Through such a program, we believe VA could identify overpayments of at least 10 to 15 percent of the total amount VA spends on the outpatient fee basis program, which exceeded $2 billion in FY 2009. We estimate that VA would realize at least $200 million in savings from this program.

Medical Facilities – Republican Members recommend $5.74 billion for medical facilities consistent with the Administration request, which is $881 million more than the enacted FY 2010 amount for this account.

Energy Initiatives – Republican Members place a high premium on advancing renewable energy projects at VA facilities. Savings from the use of alternative sources of energy results in additional resources for medical care for our veterans. We recommend at least a $325 million of this amount be obligated to implement planned energy initiatives and establish a long-term strategy for energy conservation and sustainability. VA has completed 29 feasibility studies to implement renewable energy projects at selected VA medical facilities. In FY 2010, VA expects to allocate about $13 million to move forward with the procurement process on these projects. We expect that with the additional resources for FY 2011, VA will be able to fully fund all the identified projects.

Medical Support and Compliance – Republican Members recommend $5.3 billion for Medical Support and Compliance, consistent with the Administration's request.

Medical and Prosthetic Research – Republican Members recognize the importance of medical and prosthetic research to ensure that our veterans are receiving the best possible in care,

treatment, and medical practices. We recommend $640 million in direct appropriations for medical and prosthetic research. This amount is $50 million above the Administration's FY 2011 request and an increase of $59 million more than the FY 2010 appropriation.

The signature injury of the War on Terror is traumatic brain injury (TBI). TBI can also be one of the most debilitating combat injuries, and every effort should be made to improve protective equipment such as helmets, which can substantially limit physiological damage sustained in combat.

Of particular interest in this regard is a new technology developed for race car drivers to measure G-force impact. We recommend VA direct funds in collaboration with the Department of Defense to conduct a series of similar tests and evaluations to improve combat helmets for servicemembers.

VHA Major Construction Projects – Republican Members recommend $1.04 billion, consistent with the Administration's request for major medical construction projects. However, Republican Members are concerned with a shift in the priority and scope of a major medical facility project in Omaha, NE. In the VA FY 2010 budget submission, Omaha, NE, was described as "HVAC and clinical deficiencies" with an estimated cost of $256 million. In the FY 2011 Budget Submission, this project was elevated from the seventh to the number two priority without justification, and the scope of the project was changed to a replacement facility at a cost of $560 million. Further, the budget request includes $56 million for the design of the project. This project has been moved ahead of other FY2010 scored projects in Lexington, KY; Columbia, SC; Reno, NV; West Los Angeles, CA; Lebanon, PA, and Portland, OR. Therefore, Republican Members recommend that $56 million be instead appropriated for the Lexington, KY campus realignment. Finally, Republican Members request $36.8 million of advance planning and design funds be used to carry out section 804 of Public Law 109-461 for the design of a co-located joint-use medical facility in Charleston, SC.

VHA Minor Construction Projects –For FY 2011, Republican members recommend $387 million for minor construction costs to maintain and improve an aging VA infrastructure, consistent with the Administration's request.

Advance Appropriations

The Administration's request includes $50.6 billion in advance appropriations for FY 2012, consistent with Public Law 111-81. The purpose of the advance appropriations is to ensure continuity of funding in the areas of Medical Services ($39.6 billion requested), Medical Support and Compliance ($5.5 billion requested), and Medical Facilities ($5.4 billion requested).

Republican Members are concerned that the Administration's request for advance appropriations for FY 2012 may not reflect the total resource amount projected by the Enrollee Health Care Projection Model. However, without having the ability to evaluate specific components of this advance appropriation request (Medical Care, long term care, CHAMPVA, Vet Centers, and State Home Per Diem), it is not possible to assess the sufficiency of the request.

The Government Accountability Office (GAO) is required by law to conduct a study of the adequacy and accuracy of the budget projection and report on whether the Administration's advance appropriations request for VA health care funding is consistent with expenditures estimated under the Model. However, the GAO study will not be available prior to the submission of our Views and Estimates, and it remains to be determined if the Administration's budget request is transparent for GAO assessments.

Office of Information and Technology

Republican Members believe that a top VA priority should be information technology (IT) systems that are standardized, integrated, and secure, function properly, and should be funded sufficiently. We commend VA Secretary Shinseki for his support of continuing the consolidation of the department's IT infrastructure and funding. We are pleased with the top down review of all VA IT programs utilizing the Program Management Accountability System, which has put 45 VA IT projects on hold because they have not met deadlines or have failed to be delivered.

The FY 2010 appropriated amount for the Office of Information and Technology (OI&T) was $3.307 billion. Republican Members concur with the FY 2011 Administration request of $3.307 billion for the OI&T.

During testimony provided at the Oversight and Investigations Subcommittee hearing on February 23, 2010, VA indicated there is a carry-over amount from the FY 2009 appropriations of $700 million for OI&T. Republican Members believe the procurement and implementation of currently available technology applications to identify and monitor when previously entered clinical documentation has been copied and pasted into another electronic patient record document within VHA's computerized medical record system (CPRS) should come from a portion of the FY 2009 carry-over account. This procurement would provide mandatory monitoring of the copy and paste functions within the CPRS system. This issue was brought to the Committee's attention in a number of Inspector General Combined Assessment Program (CAP) reviews of VA facilities.

Republican Members also recommend an additional amount of $56.2 million to fund the development of the Purchased Care Claims Processing System and the Patient Accounting System for the automation of the fee-for-service program also to be procured out of the FY 2009 carry-over amount.

Office of the Inspector General

For FY 2010, Congress appropriated $109 million for the VA Office of the Inspector General (OIG). The OIG is responsible for the audit, investigation, and inspection of all VA programs and operations. Funding from appropriations at $109 million and 551 FTE provides resources to increase work on several oversight initiatives.

The President's request for FY 2011 remains at the FY 2010 appropriated level. While this was an increase from the appropriations from the FY 2009 level, Republican Members believe it still does not provide sufficient resources to allow the OIG to perform the amount of work consistent with the large agency for which it must provide oversight. Republican Members recommend adding $50 million for the VA Office of Inspector General to provide an additional 230 FTE. The additional staffing resources would permit the OIG to perform much needed investigative and auditing work to include reduction of the Regional Office review cycle; appropriate oversight on the claims processes; more timely review of Outpatient Clinics, currently on a 20 year review cycle; and strengthening the OIG criminal investigations unit and their audit personnel. The additional resources would also allow new or increased oversight of the VA's homeless programs, elderly care programs, and non-VA care provided to veterans. This additional funding will allow the OIG to be more pro-active than reactive such as in the colonoscopy investigations.

The total funding for the OIG recommended by Republican Members is $159 million, $50 million above the Administration's request.

DEPARTMENT OF LABOR

Veterans Employment and Training Service – The US Department of Labor's Veterans Employment and Training Service (VETS) manages programs intended to assist veterans seeking employment. For FY 2011, the President proposes $262.5 million for VETS, an increase of $6.4 million. The Homeless Veteran Reintegration Program (HVRP) will receive $5 million of that increase. Overall, the Republican Members agree with the President's proposal but believe that the current economic climate requires additional funds to assist unemployed veterans.

Therefore, Republican Members recommend increasing funding for the basic infrastructure devoted to promoting veterans as ideal employees to businesses and providing the skills to qualify for good-paying jobs. To ensure that state employment service Disabled Veteran Outreach Program Specialists (DVOPS) and Local Veterans Employment Representatives (LVERs) are properly prepared to meet their statutory duties, Republican Members recommend an additional $2 million to fund the training operations at the National Veterans Training Institute (NVTI). This increase should enable NVTI to meet the training requirements of Public Law 109-461.

Lastly, to improve federal oversight of the DVOPS and LVERs, HVRP grantees, Veterans Workforce Investment Program (VWIP) grantees, and NVTI, Republican Members recommend an additional $5.3 million to fund 50 additional federal staff.

LEGISLATIVE INITIATIVES

The Administration's budget request for other budget functions included a $100 billion jobs creation and economic recovery package. Republican Members believe it is critical that veterans be explicitly targeted in any jobs creation and economic recovery package.

Veterans Small Business Loan Guarantees – Veterans comprise about 3.5 million or 13 percent of the 27 million US small businesses. VA previously operated a small business direct and guaranteed loan program that terminated in 1986. H.R. 294, the Veteran-Owned Small Business Promotion Act of 2009, would reauthorize the VA's small business loan guaranty program. Therefore, Republican Members recommend that not less than $1 billion of the $100 billion be applied to this legislative proposal to authorize VA and Small Business Administration loans to veteran-owned small businesses.

Veterans Job Readiness – On January 1, 2010, there were 968,000 unemployed veterans. Of that number, 685,000 were between the ages of 35 and 64 – the years when most people experience the largest financial burdens. Unlike younger veterans, this is the age group that has either passed eligibility for VA education and training programs and who also may not be able to afford to pursue a long-term degree program to improve their marketability. Therefore, it is vital to provide funds for shorter-term training to provide skills relevant to today's job market.

To meet these job readiness needs, Republican Members also recommend $700 million from the Administration's $100 billion jobs creation and economic recovery request to fund the training proposed in H.R. 4220, the Promoting Jobs for Veterans Act of 2009. Of that amount, VA would receive an additional $470 million in mandatory funds and $210 million in discretionary funds. Further, of that amount the Department of Labor would receive $20 million.

Further, we anticipate a legislative proposal that would authorize eligibility for most unemployed veterans between the ages of 35 and 60 eligible for up to one year of education or training under the Chapter 30 Montgomery GI Bill. The program would be effective from FY 2011 through FY 2013. The estimated cost for FY 2011 would be $645 million, also to be funded from the Administration's $100 billion jobs creation and economic recovery request.

-END-

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

March 4, 2010

The Honorable John M. Spratt, Jr.
Chairman
Committee on the Budget
United States House of Representatives
207 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

As required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344), and in response to your letter of January 29, 2010, this letter transmits the Views and Estimates of the Committee on Ways and Means on those aspects of the Federal budget for the fiscal year 2011 that fall within the Committee's jurisdiction.

Congress will consider next year's budget at a time of significant uncertainty for the economy as a whole, and significant hardship for many regions and individuals across the country. The economic situation has improved in the past year, with the crisis in the financial sector stabilizing and growth in the Gross Domestic Product resuming. However, job losses have continued and it is uncertain whether the recession has concluded and a new expansion begun. The Committee believes that the Congress should place a high priority on promoting job creation this year. The recession has also had a significant negative impact on the Federal budget: the deficit has deteriorated dramatically, with the recession leading to both reduced revenues and higher budget outlays.

In addition to the immediate financial and economic disruption, the country continues to face a number of long-term economic and budgetary issues. Examples include: rising health care costs, continuing economic inequality, retirement security is eroding even as an aging population presents new opportunities and challenges, rising concerns about the availability, cost, and environmental impact of energy sources, and projections of growing long-term budget deficits.

Congress, the Administration, and the Federal Reserve have all taken actions to respond to the recession. Some of those actions will continue to have an impact this year and the Committee hopes they will help minimize the duration and impact of the recession. The Committee will continue to monitor the state of the economy and its impact on all Americans, as well as our current and future fiscal outlook, in considering further efforts to create jobs and

encourage economic growth. The Committee will work to promote a healthy economy and fiscal responsibility in its consideration and adoption of appropriate legislation.

The Committee intends to take a bipartisan approach in examining these issues and developing legislation. Such an approach would allow the Committee to benefit from hearing and considering diverse viewpoints. Developing a consensus approach, where possible, will also make the Committee's legislative products more likely to become law and more likely to have a lasting impact.

The Committee's priorities include promoting job creation, strengthening our health care system, extending expiring tax provisions, addressing the growing burden of the Alternative Minimum Tax, considering energy tax provisions, reviewing tax reform proposals, considering the tax gap, examining retirement security and continuing oversight of Social Security and Medicare, increasing economic opportunity, reauthorizing and improving the Temporary Assistance for Needy Families ("TANF") program, and expanding and shaping international trade to maximize the benefits and minimize the downsides of globalization, while at the same time overseeing expanded programs to assist workers negatively impacted by globalization transition through economic uncertainty to new employment opportunities.

I. Legislative Issues with Budgetary Impact

A. Income Security – The Committee will continue to evaluate the impact of joblessness on American households and monitor the effectiveness of programs that fall under its jurisdiction designed to assist those in need. In particular, it will monitor the Unemployment Insurance system, including federal unemployment benefits provided or extended by the American Recovery and Reinvestment Act. The Committee also recognizes the need to examine the response of the TANF program to the recession and to reauthorize TANF and other related programs before the close of FY 2010.

B. Health Reform and Medicare – The Committee will continue to pursue legislation to expand health insurance coverage, improve the quality of care and reduce overall growth in health costs. The Committee will continue to monitor the Medicare program to ensure it is functioning effectively for beneficiaries, providers and taxpayers well into the future. In particular, the Committee will continue its efforts to oversee the Medicare Advantage Program, Part D, issues relating to Medicare's physician reimbursement policy, and to ensure the adequacy and accuracy of payments to all providers.

The Committee also intends to work with the Government Accountability Office (GAO), the Office of the Inspector General (OIG), and others to investigate waste, fraud and abuse in Medicare and other programs under our jurisdiction and to pursue changes as warranted. Finally, the Committee will continue its oversight of the implementation of health legislation relating to Health Information Technology and COBRA benefits.

C. Social Security – The Committee has been closely monitoring the Social Security Administration's (SSA's) plan for reducing its substantial backlog of unprocessed disability claims, including reviewing relevant recommendations by the Government Accountability Office and stakeholders. The agency continues to make progress on its multi-year plan to reduce the hearings backlog. However, the substantial increase in new applications due to the economic downturn has posed significant challenges for the agency, and has resulted in an additional large backlog in disability claims at the initial level. These challenges, combined with resource constraints, have also resulted in broader service delivery declines and increasing backlogs in program integrity activities and other agency workloads. The Committee recommends that SSA be provided with at least the level of administrative funding requested in the President's budget. This funding level is urgently needed to allow the agency to continue to make progress toward reducing the hearings backlog; even at this level, the agency will be able to make little progress toward reducing the initial claims backlog, and backlogs in other agency workloads will continue to grow.

The Committee will monitor any proposed procedural changes to the disability determination process to ensure that they do not have an adverse impact on due process, program integrity, quality, or efficiency. The Committee will continue to advocate for full compensation of SSA's expenses related to verification of Social Security numbers for non-Social Security programs, and to ensure that this workload does not otherwise undermine Social Security programs. The Committee will conduct oversight of the implementation and effectiveness of SSA's Ticket to Work program and related work incentive programs, including examining programs that will need reauthorization at the end of FY 2010. The Committee intends to carefully monitor SSA's use of additional resources provided for modernizing information systems, equipment and facilities, including its multi-year project to replace its aging data center. The Committee also will oversee and review the importance of Social Security retirement, survivor and disability benefits for American workers and their families, how best to manage the challenges and opportunities presented by an aging society, and the essential role Social Security plays in ensuring economic security, particularly in an economic downturn. Finally, the Committee will continue to monitor the general operation of the agency, including reports made by its Inspector General, to prevent waste, fraud and abuse.

D. Tax - The Committee will consider issues such as the expiring tax cuts that affect American families, the growing burden of the Alternative Minimum Tax in a broad context, energy-related tax provisions, the tax gap and Internal Revenue Service (IRS) administration of the tax laws, transportation financing, the President's proposal to recover the costs of assistance to the financial sector, and retirement security. The Committee will examine the effects of the current tax structure on the economy in terms of both individual and corporate taxpayers, and

continue its efforts to examine possible reforms. The Committee's Oversight Subcommittee will continue its activities to monitor IRS operations, including enforcement, collection, taxpayer services, returns processing, information systems, and programs to assist taxpayers experiencing economic difficulties.

E. Trade – The Committee supports expanding and shaping international trade to create equitable, broad-based growth for all Americans, and to raise living standards both here and abroad. The Committee will focus on eliminating foreign trade barriers and unfair trade practices that affect U.S. producers and service providers, including by supporting meaningful trade agreements, eliminating foreign trade barriers through use of U.S. law, and addressing currency manipulation in a manner consistent with our WTO obligations. The Committee will continue to examine the trade aspects of domestic climate change proposals, including concerns about carbon leakage and the international competitiveness of affected U.S. industries and workers. The Committee will seek to assist those whose circumstances are negatively affected by international trade by continuing to oversee implementation of the recently expanded trade adjustment assistance programs for workers, farmers, firms and communities, and seeking to extend their authorization. The Committee will continue its oversight responsibilities with respect to: the World Trade Organization negotiations, accessions and disputes; pending and new bilateral and regional free trade agreements, including the negotiation of a Trans-Pacific Partnership Agreement; and the Administration's review of international agreements on investment. The Committee will continue to oversee the budget and activities of the trade-related agencies, ensure the effective functioning of the advisory committees established under the Trade Act of 1974, and explore ways to improve the efficacy of U.S. preference programs. The Committee will also continue its work on legislation to temporarily suspend duties on products to make U.S. companies more competitive. Finally, the Committee will work with the Administration as it implements its National Export Initiative and seeks to address global trade imbalances.

While it will be difficult for the Committee to find offsets within its jurisdiction, the Committee intends to finance legislation in the above areas, in compliance with the recently-enacted statutory paygo law. That law includes full or partial exemptions to continue a number of existing provisions which the budget baseline assumes will expire. The Committee intends to seek appropriate offsets for any legislation with costs greater than those exemptions.

II. The Fiscal Year 2011 Budget

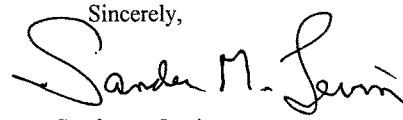
The Committee is reviewing the President's Fiscal Year 2011 Budget, which assumes the deficit will remain at a historically high level in the current year (FY2010) as a result of the recession and financial crisis, and then decline for the next four years. However, it would remain above the 2008 level through the next decade, even when measured as a share of the economy. The budget proposes significant changes in a number of areas within the Committee's jurisdiction. Over the course of the year, the Committee will continue to examine and consider the proposals and assumptions in the President's budget.

III. The Public Debt Limit

The current statutory public debt limit is $14.294 trillion. Current budget projections from the Office of Management and Budget indicate that the debt will reach that limit in Fiscal Year 2011. The level of public debt and precise time at which the statutory limit will be reached will depend on the level of incoming federal receipts, the outlay rates of both discretionary and mandatory spending, and the cost of any new legislation that is enacted. The Committee notes that it has been the practice of the House to pass a resolution raising the debt ceiling to the level necessary to accommodate the assumptions of the budget resolution for its first fiscal year. The Committee will continue to monitor the level of outstanding debt, and will take any necessary action to ensure the consistent financing of government operations.

The Committee on Ways and Means looks forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security while maintaining fiscal prudence.

Sincerely,



Sander M. Levin

COMMITTEE ON WAYS AND MEANS

U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, DC 20515

March 5, 2010

The Honorable John M. Spratt, Jr.
Chairman
House Committee on the Budget
Room 207 Cannon House Office Building
Washington, DC 20515

The Honorable Paul Ryan
Ranking Member
House Committee on the Budget
Room B-71 Cannon House Office Building
Washington, DC 20515

Dear Chairman Spratt and Ranking Member Ryan:

This year the Committee on Ways and Means did not meet to report the Views and Estimates letter required by Section 301(d) of the Congressional Budget Act of 1974 (P.L. 93-344). Although disappointed such a meeting did not take place, the Republican Members of the Committee are transmitting a Views and Estimates letter to provide you with our perspectives on those aspects of the proposed Federal budget for Fiscal Year (FY) 2011 that fall within the Committee's jurisdiction.

The U.S. economy remains weak, high levels of unemployment persist, and the economy is not creating the jobs American families need. The "stimulus" package authored by the President and Democrats in Congress has not prevented the unemployment rate from exceeding 8 percent or created 3.7 million jobs, as Americans were promised. As we transmit this letter, the unemployment rate is 9.7 percent, and 3.3 million Americans have lost their jobs since the enactment of this so-called "stimulus" package. Those millions of additional unemployed people contribute to the near record 11.4 million Americans who are collecting unemployment checks instead of paychecks.

The Administration's own budget documents anticipate a deficit of $1.6 trillion in FY 2010, and for the government's debt to more than double, to $25.7 trillion, by 2020. This level of debt will exceed the value of every good and service produced in the United States that year and is not sustainable.

The President's budget projects these unprecedented levels of debt even as it proposes trillions of dollars in new taxes on American families and businesses. The budget would grow the size of the U.S. government to the detriment of the private sector -- which is where real job creation occurs.

Republicans on the Ways and Means Committee have crafted sound alternatives to the Democrats' stimulus, health care, and energy policies. We note the Committee letter circulated on Monday commented favorably on legislation developed with bipartisan cooperation and would hope that spirit can serve as a foundation to work with Democrats to restore economic prosperity.

I. Legislative Issues with Budgetary Impact

Tax

Given the continued economic downturn – and a national unemployment rate near 10% – the Committee's tax priorities should focus on ways to promote economic growth and job creation. The Committee should work expeditiously to make permanent the critical tax reductions that were enacted in 2001 and 2003 – including the lower marginal rates, lower rates on dividends and capital gains, the expanded child credit, marriage penalty relief, and small business incentives – that are scheduled to expire on December 31, 2010. Further tax relief for hard-working middle-class families and additional growth-oriented tax cuts that will help get America back to work should be aggressively pursued as well.. Moreover, the Committee should work to ensure that now-expired tax relief for individuals and businesses is extended retroactively and that the estate tax repeal that is currently in effect for 2010 is preserved going forward.

Especially in these challenging economic times, the Committee should abandon its pursuit of unpopular, large-scale tax increases that have contributed to a climate of severe uncertainty for American employers. Specifically, the Majority should renounce its efforts to impose an enormous new national energy tax and to raise hundreds of billions of dollars in new taxes to finance health care reform. Other tax increases – such as those proposed in the President's FY 2011 budget – should be avoided, particularly during this economic downturn, and efforts to address the debt and deficit should focus instead on spending control.

The Committee should also consider issues related to tax reform and simplification for individual and business taxpayers, with an eye toward creating a less burdensome tax system that promotes economic growth, job creation, and the competitiveness of American businesses.

Trade

The Republican Members of the Committee support the expansion of trade opportunities for U.S. goods and services, adherence to trade agreements and rules by our trading partners, and the elimination of foreign trade barriers to our goods and services. The Committee should continue its oversight responsibilities with respect to the World Trade Organization negotiations, accessions, and disputes, as well as pending and new bilateral and regional free trade agreements (FTAs), because opening foreign markets through multilateral and bilateral agreements will

create broad-based growth for the United States and jobs for its citizens. Republicans on the Committee are concerned that the lack of movement on consideration of the pending trade agreements with Colombia, Panama, and South Korea will put American workers and exporters of goods and services at a competitive disadvantage. Many countries are negotiating trade agreements that would lock the United States out of these markets. Two critical examples are the agreement between the European Union and South Korea and the agreement between Canada and Colombia. Steps should be taken quickly by Congress and the Administration to prepare these agreements for consideration. In addition, negotiating authority and implementation procedures under Trade Promotion Authority should be renewed.

The Committee also should ensure that the United States is meeting its obligations under trade agreements to which it is a signatory and avoid trade-restricting legislation that would put the United States in violation of the letter or spirit of its agreements or would encourage our trading partners to impose similar restrictions against U.S. goods or services.

The Committee should continue to be active in overseeing the budgets and activities of agencies within its jurisdiction as well as the operation of trade preference programs. The Committee should continue to address the concerns of those who have been negatively affected by globalization by overseeing the operation of the newly expanded and improved Trade Adjustment Assistance program. Finally, the Committee should consider legislation, as it has in past years, suspending duties temporarily on products not made in the United States to make U.S. companies more competitive.

Income Security and Family Support

We support continuing Federal assistance to those in need during times of economic insecurity. However, Congress must also review the expense of those government benefits, how they are paid for, and the resulting effect on employment. Already, two thirds of States are expected to increase payroll taxes on jobs this year to support payment of record unemployment insurance (UI) benefits. Congress should review the employment consequences of these higher taxes on jobs. In this context, Congress should consider the effects of so-called "UI modernization" provisions in the 2009 stimulus law in terms of record UI benefit receipt and resulting tax hikes.

As Americans experience historic levels of dependence on government benefits instead of paychecks, Congress should review ways to help more Americans go back to work and support their families with paychecks instead of government benefits such as unemployment and welfare.

Social Security

Republican Members believe that strengthening Social Security must be an important priority of the Committee. In the near-term, diminishing cash flow surpluses mean Social Security's negative effect on the rest of the budget is also increasing, as interest income along with tax revenues is needed to pay full benefits. In the longer-term, further delay in addressing Social Security's looming insolvency will result in fewer and increasingly severe program adjustments, increased burdens on future generations, and detrimental impacts on our nation's economy.

The President's National Commission on Fiscal Responsibility and Reform does not replace the need for this Committee to carefully examine options to secure Social Security's future, and hearings should begin as soon as possible.

Adequate funding of the Social Security Administration's (SSA's) administrative costs and strong oversight are essential to ensuring taxpayers and beneficiaries receive the service they paid for and deserve. This includes the services provided through the SSA's web site and network of field offices and call centers as they face increasing benefit applications resulting from the recession and the aging of the population.

Important priorities for the Committee in the coming year should include monitoring the SSA's use of additional taxpayer funding to build a new data support center, modernization of the information technology infrastructure, and efforts to reduce workload backlogs. The Committee should also continue its focus on strengthening Social Security's disability programs, including increasing return to work, addressing the Disability Insurance program's fiscal challenges, and examining the impact of the SSA's role in worksite enforcement.

Committee oversight of the SSA's prevention of program waste, fraud and abuse must also remain a key focus including preventing overpayments, ensuring only those who are disabled continue to receive benefits and protecting Social Security numbers from misuse.

Health

Committee Republicans will continue to advocate for commonsense health care reforms that make health insurance more affordable.

Further, we recognize that Medicare program costs are rising at an alarming rate (spending will nearly double in 10 years) and Medicare's Hospital Insurance (HI) Trust Fund will pay more in benefits this year than it will collect through the payroll tax. Medicare Trustees estimate this imbalance would leave the HI Trust Fund bankrupt in 2017; steps must be taken to ensure the Medicare program remains a viable health insurance program for generations of seniors and disabled Americans for years to come. The solution, however, should not result in Congress using savings from the Medicare program to pay for other entitlement programs.

To this end, Congress must weed out the waste, fraud, and abuse that are disturbingly common in the program. The Government Accountability Office warns that Medicare is at a "high risk" for fraud and the Chief Counsel at the HHS Office of Inspector General recently stated that Medicare fraud is safer and more lucrative than dealing drugs.

Legislation passed last year, which temporarily staved off a reduction in Medicare payments for services provided by doctors, has left those same providers facing an estimated 21% cut in the reimbursement rates in 2010. We hope that rather than enacting another short-term patch, the Congress this year enacts comprehensive physician payment reform in a fiscally responsible manner.

II. Oversight

The Committee's oversight efforts should include continued review of Internal Revenue Service (IRS) operations to ensure the fair and efficient operation of our tax system. In addition, pursuant to section 3(1) of the Emergency Economic Stabilization Act of 2008 (EESA, P.L. 110-343), the Committee is an "appropriate committee of Congress" for the purpose of conducting oversight of the Troubled Asset Relief Program (TARP). To fulfill that role, the Committee should examine whether the Treasury Department is administering the TARP in a manner consistent with the purposes set out in section 2 of the EESA.

III. The Fiscal Year 2011 Budget

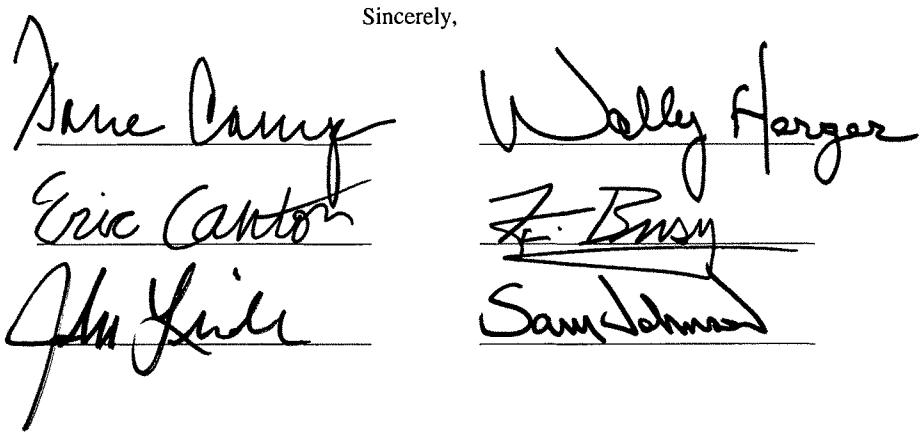
The Committee should review the President's FY 2011 Budget, which assumes historically high levels of deficit, both in the current year (FY 2010) as well as in the future, driven in part by the recession but primarily by government spending at substantially higher than historical averages. We will carefully review the proposals and assumptions in the President's budget.

IV. The Public Debt Limit

As a result of the recent $1.9 trillion increase in public debt limit, the statutory debt limit is now more than $14 trillion dollars and equaled 99% of U.S. GDP at the end of 2009. Republican Members urge Congress to address the root cause of the steady increase in the government's debt, uncontrolled government spending, before it is necessary to further increase the debt limit.

The Republican Members of the Committee on Ways and Means look forward to working with the Committee on the Budget as we promote prosperity, opportunity, and security along with fiscal prudence.

Sincerely,



cc: The Honorable Sander M. Levin, Acting Chairman, Committee on Ways and Means

○