Major Savings and Reforms in the President's 2006 Budget

FEBRUARY 11, 2005

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General Notes

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.
3. PART refers to the Program Assessment Rating Tool.

INTRODUCTION

Major Savings and Reforms in the President's 2006 Budget

"America's prosperity requires restraining the spending appetite of the federal government. I welcome the bipartisan enthusiasm for spending discipline. I will send you a budget that holds the growth of discretionary spending below inflation, makes tax relief permanent, and stays on track to cut the deficit in half by 2009.

My budget substantially reduces or eliminates more than 150 government programs that are not getting results, or duplicate current efforts, or do not fulfill essential priorities. The principle here is clear: Taxpayer dollars must be spent wisely, or not at all."

President George W. Bush
State of the Union Address
February 2, 2005

Introduction

The 2006 Budget meets the Nation's priorities in a fiscally responsible way. In order to focus Government resources on these priorities, the Administration is proposing this package of savings and reforms.

During his first term, the President worked with Congress to meet historic challenges: a collapsing stock market, a recession, revelation of corporate scandals and, of course, the terrorist attacks of September 11th. To meet the economy's significant challenges, the President proposed and signed into law, in each year of his first term, major tax relief that fueled recovery, business investment and job creation.

Those remedies are clearly working: the U.S. economy is strong and fundamentals point to continuing prosperity and expansion. Sustaining this economic expansion requires additional action, including even greater spending discipline. When the Federal government focuses on its priorities and limits is claims on resources taken from the private sector, that helps sustain a stronger, more productive economy.

This supplementary document to the 2006 Budget explains the specific savings proposed in the President's Budget. Combined with continuation of pro-growth economic policies, the spending restraint this package of savings and reforms enables will keep us on track to meet the President's goal of cutting the deficit in half by 2009.

This document describes the major sources of budget savings from reductions and terminations in existing discretionary non-defense programs; major reforms in mandatory spending programs;

user fee proposals; transformation and restructuring of Defense programs to meet 21st Century threats; and budget process reform proposals.

Each description includes background material to help inform budgetary decisions by the new Congress as it works to enact a budget resolution and subsequent laws that accomplish spending restraint and deficit reduction in a responsible manner.

As the Administration drew up its list of proposed major reforms and budget savings, we were guided by three major criteria:

- *Does the program meet the Nation's priorities?* The Budget increases funding to strengthen our Armed Forces, improve our homeland defenses, promote economic opportunity, and foster compassion.

- *Does the program meet the President's principles for appropriate use of taxpayer resources?* If an appropriate Federal role could not be identified in a program's mission, the Budget generally proposes to reduce or eliminate its funding.

- *Does the program produce the intended results?* The Bush Administration is measuring the effectiveness of the government's programs—and the results are helping us make budgeting decisions.

These criteria are evident in the discussions throughout this document. The major sections of the document are described briefly below.

Savings from Discretionary Program Terminations and Reductions

About one-third of budget spending comes from discretionary programs, which are reviewed each year by the Appropriations Committees. The Administration has undertaken a thorough review of these programs to identify low-performing programs and lower priority activities. As a result, the Budget includes a number of proposals to terminate or reduce discretionary spending. These proposals are described in more detail in the following chapters.

***Program Terminations*.—**Terminations of 99 discretionary programs will reduce spending by $8.8 billion in 2006.

***Spending Reductions*.—**Proposed reductions of 55 programs in discretionary spending will reduce 2006 spending by $6.5 billion.

***Spending Reform Proposals*.—**This year's budget review paid special attention to long-term reforms to improve the government's effectiveness, especially when several agencies have overlapping programs that serve a similar purpose. A number of reforms of such programs, in both discretionary and mandatory spending categories, will result in both savings to taxpayers and improved government services. These reforms will reduce 2006 spending by a net total of $1.9 billion, including $4.7 billion in reform savings and $2.9 billion in reform costs.

Transformation and Restructuring, Department of Defense

The President's Budget increases the defense budget by $19 billion or 4.8 percent, providing for a total increase since the President took office of 41 percent, the largest increase since the Reagan Administration. As part of Secretary Rumsfeld's efforts to transform the military from a Cold War posture to a more mobile, more lethal force to confront the War on Terror and the threats of a new century, the budget shifts resources to fund priorities as part of this transformation program. Savings from proposed transformations and restructuring will make available $6.6 billion in resources to support DOD's transformation effort.

Savings from Mandatory Spending Reductions and Reforms

About two-thirds of budget spending comes from mandatory programs, which includes entitlement programs. Because this funding is not generally subject to annual congressional review, these programs often grow faster than originally envisioned. Even when that occurs, there is no automatic mechanism to impose restraint. The only way to constrain the growth of mandatory spending is by enacting laws that change the rules governing these spending programs. Examples of programs in this category are the Medicaid program and Education Student loans.

The President's Budget shows $137.0 billion in net mandatory savings for 2006 through 2015, including both programmatic reforms and user fee proposals. This amount includes $25 billion in mandatory spending increases that are not reflected in the mandatory spending reductions and reforms in this document.

***Mandatory Program Reforms*.—** This budget savings volume includes changes in mandatory programs that will reduce 2006 spending by $7.3 billion, 2006-2010 spending by $66.7 billion, and 2006–2015 spending by $147.6 billion.

***User Fees*.—**Most Federal programs are paid for from general tax revenues. Yet some programs are focused on a small subset of users who finance those programs through direct user fees. For example, financial services firms pay user fees in order to finance regulatory activities in their industry. In a number of cases, the budget proposes to expand the financing of specific programs that benefit a clearly identifiable group of users through new or expanded user fees. These proposals will reduce 2006 spending by $0.8 billion, 2006–2010 spending by $6.9 billion, and 2006–2015 spending by $14.3 billion.

Budget Enforcement and Other Reforms

In the spring of last year, the Administration transmitted to the Congress a comprehensive budget enforcement legislation package in the form of the Spending Control Act of 2004. The Administration plans to re-propose that legislation, including appropriate updates and revisions, shortly. In addition, administrative steps will be taken to ensure that Executive Branch regulatory actions do not increase spending.

What is the PART program?

The Program Assessment Rating Tool (PART) was designed to help assess the management and performance of government programs. PART helps evaluate a program's purpose, design, planning, management, results, and accountability to determine its overall effectiveness. Based on each evaluation, recommendations are made to improve the management and performance of programs.

The PART consists of approximately 30 questions that examine four critical areas:

- Clarity of purpose and quality of design
- Value of strategic planning / results-orientation
- Quality of management
- Level of results and accountability

This marks the third year that the PART was used to assess programs' strengths and weaknesses and to make recommendations for improved program performance. These assessments, in turn, are factors in decisions about program funding. Over the next two years, the Administration will assess all remaining Federal programs. To date, the Administration has assessed:

- 607 programs (60 percent of the Federal budget, or $1.4 trillion) with the following program ratings:
    - 15% are Effective
    - 26% are Moderately Effective
    - 26% are Adequate
    - 4% are Ineffective
    - 29% are Results Not Demonstrated

<u>Background</u>

For years, advocates of good government have been trying to find ways to improve accountability, to focus on results, and to integrate the performance of programs with budget decisions. Presidents throughout the latter half of the 20th Century sought by various means to make performance matter.

The PART was initially designed by officials at the Office of Management Budget. It was reviewed by a number of independent groups, including the Performance Measurement Advisory Council, chaired by former Deputy Secretary of Transportation Mortimer Downey, and a group from the President's Council on Integrity and Efficiency. The PART was then the subject of a special workshop sponsored by National Academy of Public Administration and a congressional hearing. The President's Management Council approved a final version of the PART on July 10, 2002 and it was released for use on July 16, 2002.

SAVINGS FROM DISCRETIONARY PROGRAM

TERMINATIONS AND REDUCTIONS

Major Discretionary Terminations, Reductions, and Reform Proposals in the FY 2006 Budget

OVERVIEW

Terminations of Discretionary Programs in 2006

99	programs terminated in the 2006 Budget
59	of those terminations have been proposed in previous years
$8.8	billion savings over 2005 Enacted

Major Program Reductions in 2006

55	programs have major reductions in the 2006 Budget
27	of those reductions have been proposed in previous years
$6.5	billion savings over 2005 Enacted

Major Reform Proposals

16	programs have major reform proposals
$4.7	billion savings in 2006 over 2005 Enacted
$2.9	billion in costs in 2006 over 2005 Enacted

Discretionary TOTAL for Program Terminations, Major Reductions, and Reform Proposals

$20.0	billion in gross savings (excluding Reform costs) over 2005 Enacted
$17.2	billion in net savings (including Reform costs) over 2005 Enacted

PROGRAM TERMINATIONS

Summary of Discretionary Terminations in the FY 2006 Budget

(Budget authority in millions)

Terminations	Has the termination been proposed before? 2002	2003	2004	2005 Request	2005 Enacted	2006 Request
Department of Agriculture						
AMS Biotechnology Program	N	N	N	4	4	---
Forest Service Economic Action Program	N	Y	Y	---	19	---
High Cost Energy Grants	Y	Y	Y	---	28	---
NRCS Watershed and Flood Prevention Operations	N	Y	N	40	75	---
Research and Extension Grant Earmarks and Low Priority Programs	Y	Y	Y	---	180	---
Total, Agriculture Terminations				**44**	**306**	**---**
Department of Commerce						
Advanced Technology Program	Y	N	Y	---	136	---
Emergency Steel Guarantee Loan Program	Y	Y	Y	-35	---	-50
Public Telecommunications Facilities, Planning and Construction Program	N	N	Y	3	21	2
Total, Commerce Terminations				**-33**	**157**	**-48**
Department of Education						
Comprehensive School Reform	N	N	Y	---	205	---
Educational Technology State Grants	N	N	N	692	496	---
Even Start	N	N	N	---	225	---
High School Program Terminations:						
Vocational Education State Grants	N	N	N	1,000	1,194	---
Vocational Education National Activities	N	N	Y	---	12	---
Tech Prep State Grants	N	N	Y	---	106	---
Upward Bound	N	N	N	316	313	---
Talent Search	N	N	N	146	145	---
GEAR UP	N	N	N	298	306	---
Smaller Learning Communities	Y	Y	Y	---	94	---
Perkins Loans: Capital Contributions and Loan Cancellations	N	N	N	66	66	---
Regional Education Laboratories	N	N	Y	---	66	---
Safe and Drug Free Schools State Grants	N	N	N	441	437	---
Small Elementary and Secondary Education Programs:						
Javits Gifted and Talented Education	Y	Y	Y	---	11	---
National Writing Project	Y	Y	Y	---	20	---
School Leadership	-NA-	Y	Y	---	15	---
Dropout Prevention Program	-NA-	Y	Y	---	5	---
Close Up Fellowships	Y	Y	Y	---	1	---
Ready to Teach	Y	Y	Y	---	14	---
Parental Information and Resource Centers	Y	Y	Y	---	42	---
Alcohol Abuse Reduction	-NA-	Y	Y	---	33	---
Foundations for Learning	-NA-	-NA-	-NA-	---	1	---
Mental Health Integration in Schools	-NA-	-NA-	-NA-	---	5	---
Community Technology Centers	Y	Y	Y	---	5	---
Exchanges with Historic Whaling and Trading Partners	-NA-	Y	Y	---	9	---
Foreign Language Assistance	Y	Y	Y	---	18	---
Excellence in Economic Education	-NA-	N	N	---	1	---
Arts in Education	Y	Y	Y	---	36	---
Women's Educational Equity	Y	Y	Y	---	3	---
Elementary and Secondary School Counseling	Y	Y	Y	---	35	---
Civic Education	Y	Y	N	---	29	---
Star Schools	Y	Y	Y	---	21	---
Smaller Higher Education Programs:						
Higher Education Demos for Students w/Disabilities	Y	Y	Y	---	7	---
Underground Railroad Program	Y	Y	Y	---	2	---
Interest Subsidy Grants	N	N	N	---	1	---
Small Job Training and Adult Education Programs:						
Occupational and Employment Information	Y	Y	Y	---	9	---
Tech-prep Demonstration	Y	Y	Y	---	5	---
Literacy Programs for Prisoners	N	Y	Y	---	5	---
State Grants for Incarcerated Youth	N	Y	Y	---	22	---
Small Postsecondary Student Financial Assistance Programs:						
LEAP	Y	Y	Y	---	66	---
Byrd Scholarships	N	N	N	41	41	---
B.J. Stupak Olympic Scholarships	Y	Y	Y	---	1	---
Thurgood Marshall Legal Opportunity	Y	Y	Y	---	3	---
Small Vocational Rehabilitation Programs:						
Vocational Rehabilitation Recreational Programs	N	Y	Y	---	3	---
Vocational Rehab. (VR) Migrant and Seasonal Workers	N	Y	Y	---	2	---
Projects with Industry	N	Y	Y	---	22	---
Supported Employment	N	Y	Y	---	37	---
Teacher Quality Enhancement Program	N	N	N	89	68	---
Total, Education Terminations				**3,089**	**4,263**	**---**

Summary of Discretionary Terminations in the FY 2006 Budget

(Budget authority in millions)

Terminations	Has the termination been proposed before? 2002	2003	2004	2005 Request	2005 Enacted	2006 Request
Department of Energy						
Hydropower Program	N	N	N	6	5	---
Nuclear Energy Plant Optimization	N	Y	Y	---	2	---
Nuclear Energy Research Initiative	N	N	Y	---	2	---
Oil and Gas Programs	Y	Y	Y	41	79	20
Total, Energy Terminations				**47**	**88**	**20**
Health and Human Services						
ACF Community Service Programs	N	N	N	5	30	---
ACF Early Learning Opportunities Fund	Y	Y	Y	---	35	---
CDC Congressional Earmarks	Y	Y	Y	---	60	---
CDC Preventive Health and Health Services Block Grant	N	N	N	132	131	---
CDC Youth Media Campaign	N	N	N	4	59	---
Direct Service Worker Delivery Grants	N	N	N	3	3	---
HRSA Emergency Medical Services for Children	N	N	N	20	20	---
HRSA Health Facilities Construction Congressional Earmarks	Y	Y	Y	---	476	---
HRSA Healthy Community Access Program	Y	Y	Y	10	82	---
HRSA State Planning Grant Program	N	Y	Y	---	11	---
HRSA Trauma Care	N	Y	Y	---	3	---
HRSA Traumatic Brain Injury	N	N	N	9	9	---
HRSA Universal Newborn Hearing Screening	N	Y	Y	---	10	---
Real Choice Systems Change Grants	N	N	N	40	40	---
Total, HHS Terminations				**224**	**970**	**---**
Department of Housing and Urban Development						
HOPE VI	N	Y	Y	---	143	-143
Total, Terminations				**---**	**143**	**-143**
Department of the Interior						
BLM Jobs-in-the-Woods Program	N	N	N	6	6	---
LWCF State Recreation Grants (NPS)	N	N	N	91	90	---
National Park Service Statutory Aid	N	N	N	---	11	---
Rural Fire Assistance (BLM, NPS, FWS, BIA)	N	N	N	5	10	---
Total, Interior Terminations				**102**	**117**	**---**
Department of Justice						
Byrne Discretionary Grants	Y	Y	Y	---	168	---
Byrne Justice Assistance Grants	N	N	N	528	626	---
COPS Hiring Grants	N	N	N	---	10	---
COPS Interoperable Communications Technology Grants	Y	Y	Y	---	99	---
COPS Law Enforcement Technology Grants	N	N	N	---	137	---
Juvenile Accountability Block Grants	N	N	Y	---	54	---
National Drug Intelligence Center**	N	N	N	35	39	17
Other State/Local Law Enforcement Assistance Program Terminations	N	N	N	30	94	---
State Criminal Alien Assistance Program (SCAAP)	N	Y	Y	---	301	---
Total, Justice Terminations				**593**	**1,528**	**17**
Department of Labor						
Migrant and Seasonal Farm Worker Training Program	N	Y	Y	---	76	---
Reintegration of Youthful Offenders	Y	Y	Y	55	50	---
Total, Labor Terminations				**55**	**126**	**---**
Department of Transportation						
National Defense Tank Vessel Construction Program	N	N	N	---	74	---
Railroad Rehabilitation Infrastructure Financing Loan Program	N	N	N	---	-NA-	-NA-
Total, Transportation Terminations				**---**	**74**	**---**
Enviromental Protection Agency						
Unrequested Projects	Y	Y	Y	---	489	---
Water Quality Cooperative Agreements	N	N	N	21	17	---
Total, EPA Terminations				**21**	**506**	**---**
National Aeronautics and Space Administration						
Hubble Space Telescope Robotic Servicing Mission	N	N	N	30	291	---
Total, NASA Terminations				**30**	**291**	**---**
Other Agencies						
National Veterans Business Development Corporation	N	N	N	2	2	---
Postal Service: Revenue Forgone Appropriation	N	N	N	---	29	---
SBA: Microloan Program	N	N	N	---	15	---
SBA: Small Busines Investment Company (SBIC) Participating Securities Program	N	N	N	---	---	---
Total, Other Agency Terminations				**2**	**46**	**---**
TOTAL, Terminations				**4,174**	**8,614**	**-154**

Department of Agriculture: Discretionary Proposal
AMS Biotechnology Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	4	---	–4

Background

The Agricultural Marketing Service's (AMS) biotechnology program was initiated in 2002 to develop the agency's capacity to test non-grain commodities for bio-engineered traits. Since 2002, AMS has received annual appropriations in support of its biotechnology program and has used these funds to upgrade its laboratory testing facilities. As initially justified, a core component of the AMS biotechnology program was the establishment of a fee-for-service accreditation and testing program to allow private sector labs to perform biotechnology tests on non-grain commodities. After several years of funding, the agency has yet to establish an accreditation program due to a lack of demand for these services among the private sector.

Administration Action

The 2006 Budget proposes to terminate the AMS biotechnology program, a reduction of $4 million from the 2005 enacted level due to a lack of demand for these services among the private sector. If demand for these services becomes apparent, AMS will work with the affected industries to determine alternative mechanisms to facilitate the movement of agricultural commodities. This reduction will not adversely affect the Department's overall biotechnology initiative, as grain varieties account for the majority of all genetically modified commodities and are regulated and tested by the Grain Inspection, Packers and Stockyard Administration.

Department of Agriculture: Discretionary Proposal
Forest Service Economic Action Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	19	---	–19

Background

The Economic Action Program provides technical and financial assistance to forest-dependent communities and local groups to enhance rural economies through the utilization of forest and related natural resources. The program was established in the 1990 Farm Bill, and is heavily earmarked by the Congress each year.

The Administration proposed termination of this program in the 2005 Budget, citing its duplication of other rural development programs.

Administration Action

The 2006 Budget proposes to eliminate funding for the program. This program is duplicative of other USDA Rural Development programs that address priority needs in rural areas including several programs that can assist forest-based industries. These other programs include Business and Industry guaranteed loans; Intermediary Re-lending Program; and Cooperative Development Grants. In addition, the President has proposed significant increases in stewardship contracting that will benefit local businesses by allowing private companies, communities and others to retain forest and rangeland products in exchange for the service of thinning trees and brush and removing dead wood. Stewardship contracting fosters a public/private partnership to restore forest and rangeland health by giving those who undertake the contract the ability to invest in equipment and infrastructure.

Department of Agriculture: Discretionary Proposal
High Cost Energy Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	28	---	–28

Background

The High Cost Energy Grant program, which provides grants for areas where the cost to deliver energy is significantly higher than the average, was first funded in 2001. Only Alaska, Hawaii and a few isolated areas within the United States qualify for these grants. These same areas are eligible for low cost electric loans through the Rural Utilities Service.

Administration Action

The Budget proposes no new funding for High Cost Energy Grants. This program is duplicative. Funds are available through the Rural Utilities Service's electric loan program which can be used to support the provision of electric service in high cost areas. Also, using loans to provide support is more efficient than grants by allowing for more support (loan level) with fewer appropriated dollars.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	75	---	–75

Background

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

In the 2004 Budget, OMB compared the cost effectiveness of the Corps of Engineers', NRCS's, and Federal Emergency Management Agency's flood damage reduction programs. OMB evaluated projects that were completed over a five-year period and, in total for all projects, NRCS's program provided the fewest benefits per dollar.

Administration Action

The 2006 Budget proposes to terminate NRCS's Watershed Operations program. The program funds local, in many cases privately-owned, flood prevention and water improvement projects that are not Federal responsibilities. In addition, an OMB analysis in the 2004 Budget found that NRCS's program was the least cost effective Federal flood damage reduction program. The Budget proposes to cancel funding for this program and redirect the dollars to other higher priority programs.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	180	---	–180

Background

The Congress provides funding for research and extension grants earmarked to specific locations and for specific purposes, often for work that may not be in the national interest or a Federal responsibility. Examples of these earmarks include: asparagus technology and production, jointed goatgrass control, dairy and meat goat research, and alternative salmon products. Many of these projects have received continuous funding for more than a decade. The Congress has continued to provide funding for such earmarks, at increasingly higher levels in recent years.

Administration Action

In the 2006 Budget, the Administration proposes not continuing about 280 research and extension grants that are earmarked to specific projects and locations, as well as several lower priority programs. These "earmarks" and lower priority projects do not represent the most effective use of Federal dollars. The Administration proposes that such funding be redirected to competitive, peer reviewed grants. Competitive grants that are peer reviewed and can be targeted toward high priority National needs are a more effective use of Federal research funding. The 2006 Budget also includes an increase of $70 million (+39 percent) in the National Research Initiative competitive grant program.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	136	---	–136

Background

The Advanced Technology Program (ATP) supports industry-led research and development projects in areas of emerging technology. The Administration believes that grants to industry for such projects are not necessary, particularly given the growth in available sources of private funding, such as venture capital firms and corporate research labs. As an alternative to direct spending on R&D, the Administration supports permanent extension of the broadly available research and experimentation tax credit. The PART for this program noted that large shares of ATP funding have gone to major corporations, which may not be an appropriate use of Federal resources, and that past GAO studies found projects often have been similar to those conducted by firms not receiving such subsidies.

Administration Action

The Budget terminates ATP, providing no funding for new or prior year awards. The 2005 appropriated level does not provide for new awards, so the program is already effectively on a path to termination.

The Administration believes the program is no longer warranted in today's research and development environment. To address the highest priority needs of the U.S. science and technology base, the Budget provides $485 million for the National Institute of Standards and Technology.

Department of Commerce: Discretionary Proposal
Emergency Steel Guarantee Loan Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	---	–50	–50

Background

The Emergency Steel Guarantee Loan Program was enacted in 1999 to help steel firms suffering from financial losses from low prices and the inability to obtain credit for continued operations and facility re-investment. Since 2003, the Administration has proposed to rescind funds from the program as it provides an unwarranted corporate subsidy and exposes taxpayers to significant costs from defaults. One of the first firms to receive a guarantee experienced difficulties within months and formally defaulted on its $110 million loan after a year.

The Administration imposed temporary safeguard tariffs in March 2002 to benefit the domestic steel industry. Those tariffs were lifted in December 2003, as industry conditions improved. In 2004, conditions further improved as international demand for steel increased significantly and consolidations occurred in the domestic market. Demand for the guarantees has been lower than expected.

Administration Action

The Administration is proposing to rescind all remaining credit subsidy balances for the Emergency Steel Guarantee Loan Program.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	21	2	–19

Background

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

Since 2000, almost 70 percent of PTFP awards have supported public television stations' conversion to digital broadcasting. Funding for public television's conversion to digital is available elsewhere. The Corporation for Public Broadcasting has awarded grants totaling approximately $76 million to assist 122 public television stations in their efforts to transition to digital broadcasting, and has $39 million available to assist broadcasters' conversion in 2005.

Administration Action

The Administration proposes to terminate PTFP grant funding in 2006. The Administration proposes instead that $30 million of the Corporation for Public Broadcasting's already-enacted 2006 funding be made available for public television's digital transition. The Budget requests $2 million for PTFP administrative costs, including program termination.

Department of Education: Discretionary Proposal
Comprehensive School Reform

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	205	---	–205

Background

The Comprehensive School Reform (CSR) program supports research-based reform models that address multiple aspects of schools and instruction, in particular in low-performing schools. In 2004, the Administration used the PART to analyze the program and found it to be duplicative of several aspects of Title I Grants to Local Educational Agencies, the largest No Child Left Behind (NCLB) program. For example, NCLB allows significantly more schools than under the prior law to use Title I funds to carry out the types of whole-school reforms supported by the CSR program. As a result, nearly 26,000 of the highest poverty Title I schools already operate schoolwide projects and thus enjoy the opportunity to conduct comprehensive reform efforts. In addition, within Title I funding, there is a set-aside of about $520 million specifically for improvement activities in low-performing schools, the same as the highest priority grant recipients in the CSR program. School districts may use these funds to implement comprehensive reforms when they determine those reforms are the most effective route toward improving academic achievement.

Data indicate that CSR is unnecessary as a catalyst for change. The National Longitudinal Survey of Schools during the 2000-2001 school year found that a significant number of Title I schools were implementing research-based reform models, the focus of CSR, absent CSR funds. About 30,000 schools were implementing research-based school reform models, yet fewer than 10 percent were using CSR funds to do so.

In 2004 and 2005, the Administration proposed to eliminate CSR. Congress cut the program for the first time in 2005 (-$29 million), from $234 million to $205 million.

Administration Action

The Administration proposes to eliminate the Comprehensive School Reform program and redirect funds toward Title I. The program duplicates Title I, and it is unnecessary, as the vast majority of schools that have adopted research-based models have done so without receiving CSR funding.

Department of Education: Discretionary Proposal
Educational Technology State Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	496	---	–496

Background

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

While the program was created to better focus educational technology investments on student achievement, it is not clear that Educational Technology State Grants has been successful in accomplishing this mission. There is no performance information available to indicate whether the program is enhancing student learning.

Administration Action

The 2006 Budget proposes to terminate the Educational Technology State Grants program and redirect its funding to higher priority programs that are more closely focused on student achievement and have a more rigorous accountability structure in place. States can continue to support similar activities through other, larger Department of Education programs such as Title I Grants to Local Educational Agencies ($13.3 billion) and Teacher Quality State Grants ($2.9 billion).

Department of Education: Discretionary Proposal
Even Start

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	225	---	–225

Background

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

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

Administration Action

The Administration proposes to eliminate the Even Start program and redirect funds to programs that are likely to be more effective at improving early childhood education including Title I. Even Start's Ineffective PART rating and its poor results on national evaluations provides strong justification for terminating the program.

Department of Education: Discretionary Proposal
High School Program Terminations

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	2,170*	---	–2,170

* This includes $1.68 billion that supports high school activities and $0.48 billion under Vocational Education and Tech Prep State Grants that supports postsecondary training.

Background

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

Vocational Education (Voc Ed) State Grants and Voc Ed National Activities (2005 budget authority: $1.206 billion) provide grants to States to support high school and community college activities related to vocational and technical education, as well as national-level assessment, evaluation, dissemination, and technical assistance. About two-thirds of the funding supports high school activities and the remainder support postsecondary technical training. In its Final Report to Congress in June 2004, the National Assessment of Vocational Education found no evidence that high school vocational courses themselves contribute to academic achievement or college enrollment. Under the Administration's PART, Vocational Education State Grants was rated Ineffective because it has produced little or no evidence of improved outcomes for students despite decades of increasing Federal investment. Last year the Administration proposed a "Blueprint" for a reformed Voc Ed program that funds projects that demonstrate positive academic and work-related outcomes. Neither the House nor Senate reauthorization bills adopted significant reforms last year; no action was completed.

Tech Prep State Grants (2005 budget authority: $105.8 million) supports partnerships that develop structural links between secondary and postsecondary institutions to integrate academic and vocational education. About two-thirds of the funds support high school activities. The PART found that the program could not demonstrate results based on a series of national evaluations indicating that the program provides no measurable advantage for high school students in terms of high school completion, postsecondary enrollment, and academic achievement.

Upward Bound (UB) (2005 budget authority: $312.6 million) makes competitive grants to institutions of higher education to help low-income secondary school students graduate from high school and pursue postsecondary education through activities such as tutoring and guidance. Based on a 2004 Mathematica evaluation, UB received an Ineffective PART rating, as the study concluded that UB was not serving the high-risk students who were most likely to benefit from the program.

Talent Search (2005 budget authority: $144.9 million) makes competitive grants to institutions of higher education that provide academic, career and financial counseling to low-income middle and high school students to increase their likelihood of pursuing a postsecondary degree. A PART assessment found that there was no evidence that program services have a substantial impact.

GEAR UP (2005 budget authority: $306.5 million) makes competitive grants to States and partnerships involving institutions of higher education and secondary schools. Although it provides services similar to Upward Bound, GEAR UP supports entire cohorts, or classes, of students through grades 7-12. No definitive data exists on GEAR UP's capacity to achieve its long-term performance goals.

Smaller Learning Communities (2005 budget authority: $94.5 million) makes competitive grants to support the creation or expansion of smaller learning communities in large high schools. No conclusive evidence exists that this program improves student outcomes. In 2004, there were not a sufficient number of quality applications, and the program returned $26.5 million in unspent funds to the Treasury.

Administration Action

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

These programs would be replaced by the new $1.5 billion High School Initiative which includes $250 million for High School Assessments and $1.2 billion for a High School Intervention program to provide States with flexible funding to support a wide range of effective interventions. (See discussion of "High School Initiative" elsewhere in this volume.) In return for this flexibility, States would be held accountable for improving student achievement and graduation rates. These new initiatives would augment new or expanded high school activities totaling nearly $400 million that were previously proposed by the President such as Striving Readers, Math and Science Partnerships, Advanced Placement, and State Scholars that are designed to improve student achievement in high schools.

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

Department of Education: Discretionary Proposal
Perkins Loans: Capital Contributions and Loan Cancellations

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	66	---	–66

Background

The Perkins Loan Program was created in 1958 under the National Defense Education Act, well before the establishment of the larger direct and guaranteed Federal student loan programs. Under this program, the Education Department provides funding to colleges and universities to make low interest loans available to needy students. However, the institutional allocation formula (i.e., how much program funding is given to each school to offer Perkins aid) is designed to heavily benefit postsecondary institutions that have participated in the program for a long time, at the expense of more recent entrants. Most of the Federal funding for Perkins Loans was provided in the early years of the program. Over time, the balance of the Federal contributions in the revolving funds has grown to $6 billion. In 2005, Congress accepted the Administration's proposal to eliminate Federal capital contributions for institutional revolving funds.

Certain Perkins Loan borrowers are eligible to receive loan forgiveness in exchange for undertaking certain public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing. In 2005, the $66 million Federal appropriation will reimburse institutional revolving funds for these loan cancellations.

By statute, Perkins Loan interest rates are fixed at five percent, which is currently higher than the variable interest rates available under the larger direct and guaranteed student loan programs.

The PART analysis conducted in 2004 rated this program as Ineffective. It found that this program is duplicative of the direct and guaranteed student loan programs and is not well targeted to the neediest students.

Administration Action

Because Perkins Loans are duplicative of the larger Federal student loan programs, and not well targeted to the neediest students, the Administration proposes to terminate this program and recall the $6.0 billion Federal portion of the Perkins Loan revolving funds held by participating institutions of higher education.

The 2006 Budget requests no discretionary appropriations for loan cancellations. Eligible Perkins loans would continue to be cancelled but no appropriations would need to be made to replenish the institutional revolving funds.

Department of Education: Discretionary Proposal
Regional Educational Laboratories

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	66	---	–66

Background

The Regional Educational Laboratories (Labs) program supports a network of 10 Labs to provide training, technical assistance (TA), applied research, development, and dissemination of best practices to help State and local administrators improve schools. The Labs program was first authorized in 1965 by the Elementary and Secondary Education Act and reauthorized in 2002 under the Education Sciences Reform Act. The current contracts with the 10 Labs expire in December 2005. The allocation of assistance among the regions is based, in part, on the number of local educational agencies and the number of school-age children.

This program has not consistently provided quality research or TA despite long-term investment and funding increases in recent years. Research plays a critical role in the implementation of No Child Left Behind, but research must adhere to standards of scientific quality so that it can produce evidence with which to inform State and local reform decisions. According to the Follow-up Public School Survey on Education Reform (1999), only one percent of principals surveyed said that they found TA provided by the Labs very helpful in understanding or implementing comprehensive reforms.

Although the Education Sciences Reform Act of 2002 requires that the Department of Education establish rigorous standards for the conduct, evaluation, and peer review for the Labs to assess their performance, the Act did not include clear authority for the Institute of Education Sciences to oversee the implementation of these standards and to enforce them. The Administration first proposed terminating funds for the Labs program in 2004, but Congress continued to fund it.

Administration Action

The 2006 Budget re-proposes terminating the Regional Educational Laboratories program. Since Federal funds for education research are limited, only research programs that can be held accountable to rigorous standards warrant further investment. The Education Department's research project grants and the What Works Clearinghouse, which provides a trusted source for scientific evidence of the effectiveness of education interventions, represent better research investments. Also, the Administration believes that the TA, training, and professional development needs of States and local school systems can be met more effectively through the new Comprehensive Centers authorized under the Educational Technical Assistance Act of 2002.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	437	---	–437

Background

The Safe and Drug-Free Schools (SDFS) State Grants program provides formula grants to States and school districts for an array of activities intended to reduce youth crime and drug-abuse. Even though the State grant program is nearly 20 years old, it cannot demonstrate it has had a positive impact on reducing drug use and violence. A 2001 RAND study determined that the structure of the program is fundamentally flawed. It concluded that SDFS State Grants, which distributes funds according to a formula, are spread too thinly to support quality interventions. The PART rated this program as Ineffective in 2004. This program received its first significant reduction (-$28 million) in 2004.

Administration proposal

The Administration proposes to terminate the Safe and Drug-Free Schools (SDFS) State Grants program, and redirect a portion of the funds to SDFS National Programs. As a result, funding for SDFS National Programs will increase by $83 million to support projects with measurable outcomes and strong accountability mechanisms to help ensure that Federal funding in the area produces positive results. This includes an increase of $15 million for the school-based Drug Testing initiative.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	304	---	–304

Background

The following 19 small elementary and secondary education grant programs are narrow-purpose and have no demonstrated results. Many of the activities supported by these programs can be supported under large formula grants if localities determine the need to be pressing. Others support activities that do not fill an appropriate Federal role. While most of these programs are intended to support laudable purposes, their design has not allowed them to meet their goals. Many of them lack performance objectives and measures and none have rigorous evaluations, preventing the Department of Education from assessing program effectiveness and identifying successful intervention strategies that could have broad national impact. Further, most of these programs lack administrative mechanisms for holding grantees accountable for achieving results, and several earmark funds for specific service providers rather than running true competitions (these are identified with an asterisk). These programs differ from many other programs authorized under the No Child Left Behind (NCLB) Act, such as Title I and Reading First, which have a strong accountability framework and encourage the use of scientifically based interventions, improving the prospects for participants to achieve positive and measurable outcomes.

Javits Gifted and Talented Education (2005 budget authority: $11 million) supports activities to help high schools meet the special educational needs of gifted and talented students. Two-thirds of these program funds support research and demonstration grants; this function can be carried out under the Department's Institute of Education Sciences research.

* *National Writing Project* (2005 budget authority: $20.3 million) provides a non-competitive grant to a nonprofit educational organization that promotes K-16 teacher training programs in the teaching of writing. The 2006 PART assessment rated this program as Results Not Demonstrated. Funds for training teachers in all academic subjects are provided under the Teacher Quality State Grants program.

School Leadership (2005 budget authority: $14.9 million) supports recruiting, training, and retaining principals and assistant principals. These activities are specifically authorized under the Teacher Quality State Grants program.

Dropout Prevention (2005 budget authority: $4.9 million) supports dropout prevention programs in schools and districts with above-average dropout rates. Districts wishing to implement drop-out prevention programs may use funds from Title I Grants to Local Educational Agencies

(LEAs), State Grants for Innovative Programs, or the new High School Intervention program. At the 2006 request level, States may use up to $110 million from their allocations under Title I Part A to support dropout prevention programs in LEAs and other activities.

* *Close-Up Fellowships* (2005 budget authority: $1.5 million) provides a non-competitive grant to the Close Up Foundation to provide fellowships to low-income students and their teachers to finance their participation in one-week Washington, D.C., seminar programs to learn about the Federal government. In 1997, Congress requested that the Close-Up Foundation provide a plan to continue its fellowships without Federal funding. In the succeeding years, the foundation surpassed its private sector fundraising goals. Given the popularity of this program and its successful private fundraising, the Administration believes this program would continue without Federal support.

Ready to Teach (2005 budget authority: $14.3 million) supports competitive grants to nonprofit telecommunications entities to carry out programs to improve teaching in core curriculum areas, and to develop and distribute innovative educational and instructional video programming. These activities may be supported by the Teacher Quality State Grants program.

Parental Information and Resource Centers (2005 budget authority: $41.9 million) support grants to States and localities for increasing parental education and family involvement. Parent education and support activities are required and funded under other NCLB programs such as Title I.

Alcohol Abuse Reduction (2005 budget authority: $32.7 million) supports programs to reduce alcohol abuse in secondary schools. These activities can be supported by the Safe Schools/Healthy Student program in Safe and Drug-Free School National Activities.

Foundations for Learning (2005 budget authority: $1 million), first funded in 2005, provides grants for comprehensive services to help children under seven who have multiple at-risk characteristics -- including exposure to violence or abuse, low birth weight and cognitive deficits -- be prepared to enter school. IDEA, Head Start, and Title I all help at-risk pre-school children enter school ready to learn.

Mental Health Integration in Schools (2005 budget authority: $5 million), first funded in 2005, provides grants to States and school districts to support collaborative efforts between school systems and mental health systems. Safe Schools/Healthy Students supports the same purpose.

Community Technology Centers (2005 budget authority: $5 million) support centers that offer residents of economically distressed areas access to computers and training. The Grants to State Library Agencies program supports similar purposes by providing community access to computers and the internet.

Exchanges with Historic Whaling and Trading Partners (2005 budget authority: $8.6 million) supports culturally based educational activities for Alaska Natives, Native Hawaiians, and children and families of Massachusetts. The program earmarks funds for specific entities serving these populations. This narrow-purpose program does not address a national need. States and school districts that view this activity as a high priority can carry out similar activities under State Grants for Innovative Programs.

Foreign Language Assistance (2005 budget authority: $18 million) supports activities to promote improvement and expansion of foreign language instruction. States and school districts can carry out similar activities under State Grants for Innovative Programs.

* *Excellence in Economics Education* (2005 budget authority: $1.5 million) supports a grant to a single non-profit educational organization to promote economic and financial literacy for K-12 students.

* *Arts in Education* (2005 budget authority: $35.6 million) makes non-competitive awards to Very Special Arts and the John F. Kennedy Center for the Performing Arts as well as competitive awards for demonstration projects and leadership activities to encourage the integration of arts into the school curriculum.

Women's Education Equity (2005 budget authority: $3 million) supports activities promoting educational equity of girls and women. States and school districts can carry out similar activities under State Grants for Innovative Programs.

Elementary and Secondary School Counseling (2005 budget authority: $34.7 million) makes grants to support elementary and secondary school counseling programs. All appropriations below $40 million must be used for elementary school counseling. States and school districts can carry out similar activities under State Grants for Innovative Programs.

* *Civic Education* (2005 budget authority: $29.4 million) supports one non-competitive grant to an organization that promotes civic responsibility through teacher training and instructional materials, and educational exchanges with developing democracies.

Star Schools (2005 budget authority: $20.8 million) supports a variety of distance education projects. An evaluation was initiated in 1999 but yielded no reliable findings of program effectiveness and was never completed.

Administration Action

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

Department of Education: Discretionary Proposal
Small Higher Education Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	11	---	–11

Background

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

Demonstration Projects to Ensure Quality Higher Education for Students with Disabilities (2005 budget authority: $6.9 million) funds technical assistance and professional development activities for faculty and administrators in institutions of higher education in order to improve the quality of education for students with disabilities. This program has achieved its primary goal of funding model demonstration projects. Similar projects can and do receive funding under the Fund for the Improvement of Postsecondary Education.

Underground Railroad Program (2005 budget authority: $2.2 million) provides grants to non-profit educational organizations to establish facilities that house, display, and interpret artifacts relating to the history of the Underground Railroad, as well as to make the interpretive efforts available to institutions of higher education. This program was not intended to provide a permanent source of funding, and prior grants have succeeded in spreading the history of the Underground Railroad through websites, expanded library collections, and private funding and endowment funds to support ongoing operations.

Interest Subsidy Grants (2005 budget authority: $1.5 million) finance the interest subsidy costs of a portfolio of higher education facilities loans guaranteed under Federal agreements with participating institutions of higher education. Balances from prior year appropriations are sufficient to cover all remaining obligations; no new funds are necessary.

Administration Action

The Administration proposes to terminate funding in 2006 because these three small higher education grant programs have achieved their purpose and are no longer necessary.

Department of Education: Discretionary Proposal
Small Job Training and Adult Education Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	41	---	–41

Background

The following programs provide job training or adult education to a limited population and lack a strong accountability mechanism to ensure positive results.

Occupational and Employment Information (2005 budget authority: $9.3 million) supports State career guidance and academic counseling programs for youth and adults. Under the Administration's PART, this program received a Results Not Demonstrated rating because the impacts of this program are not known and no national evaluation exists.

Tech Prep Demonstration (2005 budget authority: $4.9 million) supports demonstration projects to support consortia that establish secondary technical education programs on community college campuses. The Department has no data on the performance of this program.

Literacy Programs for Prisoners (2005 budget authority: $5 million) funds competitive grants to State and local correctional institutions and correctional education agencies to support programs intended to reduce recidivism through the improvement of "life skills." The Department has almost no performance information for this program.

State Grants for Incarcerated Youth (2005 budget authority: $21.8 million) provides formula grants to State correctional agencies intended to assist and encourage incarcerated youth to acquire functional literacy skills and life and job skills. The Department has almost no performance information for this program.

Administration Action

The Administration proposes to terminate these four small job training and adult education programs that are narrow purpose and have no demonstrated results. While these programs are intended to support laudable purposes, they lack clear performance objectives, measures, and evaluations, and do not have strong administrative mechanisms for holding grantees accountable for outcomes. The Administration's proposed Workforce Investment Act reforms will ensure continued strong Federal support for needed job training.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	111	---	–111

Background

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

Leveraging Educational Assistance Program (LEAP) (2005 budget authority: $66 million) has accomplished its objective of stimulating all States to establish need-based postsecondary student grant programs, and Federal incentives for such aid are no longer required. The program received a PART rating of Results Not Demonstrated. State grant levels have expanded greatly over the years, and most States significantly exceed the statutory matching requirements.

Byrd Scholarships (2005 budget authority: $41 million) are intended to promote academic excellence through grants to States which support scholarship assistance for up to four years to high-performing high school students entering an undergraduate course of study. The program received a PART rating of Results Not Demonstrated and does not have a need-based component unlike other ED postsecondary aid programs.

B.J. Stupak Olympic Scholarships (2005 budget authority: $1 million) provide financial assistance to athletes who are training at Olympic Training centers and who are pursuing a postsecondary education. This program received a PART rating of Results Not Demonstrated. Athletes may still receive grant, work-study, and loan assistance through the Department's traditional postsecondary student aid programs.

Thurgood Marshall Legal Educational Opportunity (2005 budget authority: $3 million) provides minority, low-income, or disadvantaged college students with information, preparation, and financial assistance to help them gain access to and complete law school. This program is largely duplicative of similar assistance that is available through the Department's traditional postsecondary student financial aid programs.

Administration Action

The Administration proposes to terminate these four small postsecondary student financial assistance programs that have either achieved their purpose or are duplicative.

Department of Education: Discretionary Proposal
Small Vocational Rehabilitation Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	64	---	–64

Background

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

VR Migrant and Seasonal Farmworkers (2005 budget authority: $2.3 million) supports rehabilitation services to migratory workers with disabilities. Originally established as a demonstration program in the mid-1970s, the program no longer needs to demonstrate the benefits of serving migratory workers. The much larger VR State grants program serves the same population.

Projects with Industry (PWI) (2005 budget authority: $21.6 million) help individuals with disabilities obtain employment and advance their career in the competitive labor market. PWI is duplicative, as the VR State Grants program provides the same services to the same target populations.

VR Recreational Programs (2005 budget authority: $2.5 million) supports projects that provide recreation and related activities for individuals with disabilities to aid in their employment, mobility, independence, socialization, and community integration. The program has limited impact, and State and local agencies and the private sector can more appropriately provide these services.

Supported Employment (2005 budget authority: $37.4 million) was created in 1986 to encourage VR agencies to provide supported employment services to individuals with significant disabilities. At the time, supported employment was a new practice to employ individuals who traditionally would not be employed in integrated settings. Today, supported employment is recognized as an effective strategy to help individuals with significant disabilities obtain jobs. In fact, since 1996 more individuals received supported employment services through VR State Grant funding than through the separate Supported Employment funding. The Supported Employment program has achieved its original purpose.

Administration Action

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

Department of Education: Discretionary Proposal
Teacher Quality Enhancement Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	68	---	–68

Background

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

In 2004, the Administration completed a PART assessment of this program and gave it a rating of Results Not Demonstrated, due to its lack of performance information and program management deficiencies. The assessment concluded that the Recruitment and Partnership grant components of this program are redundant of other Department of Education programs which have greater promise for success, particularly the $2.9 billion Teacher Quality State Grants program. In addition, the State grants portion of the program does not have a demonstrated track record of results, with some States even declining to apply for these grants.

Administration Action

Because the Teacher Quality Enhancement program has failed to show results and many of its activities can be supported under the Teacher Quality State Grants program, the Administration proposes to eliminate funding for it in 2006. As part of its effort to support the most promising teacher quality activities, the Administration proposes to redirect funding to other programs with a greater likelihood of success, including the President's new Teacher Incentive Fund.

Department of Energy: Discretionary Proposal
Hydropower Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	5	---	–5

Background

The program funds research and development (R&D) and testing of hydropower turbine designs that are intended to increase the efficiency of electricity generation and improve environmental performance, such as fish survivability. In the early 1990s, the program was funded at about $1 million annually and focused on conducting regulatory reviews to help hydropower operators navigate complex re-licensing processes. Later, the program conducted hydropower resource assessments and began developing prototype turbines that could improve efficiency and fish survivability. The program ended work on its prototype turbine in 2003 when it could not find a private partner willing to cost-share in full-scale testing. The program's focus then switched to R&D on existing commercial designs with the potential for efficiency gains. This work is within industry's financial capability and in industry's financial interest. Therefore, it is not appropriate for Federal funding under the Administration's R&D Investment Criteria.

Administration Action

The Administration proposes to terminate the program because hydropower technology R&D has advanced to the point that it can now be conducted by industry. The Budget includes $500,000 for the program to closeout current projects and transfer results to industry.

Department of Energy: Discretionary Proposal
Nuclear Energy Plant Optimization (NEPO)

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	2	---	–2

Background

The NEPO program was started by the Department of Energy in 2000 to address the technical issues that may prevent existing nuclear power plants from continuing to operate. These technical issues include mitigating plant aging and improving plant reliability, availability, and productivity. The Administration's Research and Development (R&D) Investment Criteria, jointly issued by the Office of Management and Budget and the Office of Science and Technology Policy, require R&D for technologies that address industry needs to demonstrate public benefits and justify that there is a market failure such that there is no motivation for private-sector investment. This program does not meet these criteria.

Administration Action

Consistent with the R&D Investment Criteria, the 2006 Budget proposes to terminate this program because of the limited public benefits and industry's ability and financial interest in undertaking this R&D. The benefits of the program accrue primarily to private utilities. The 2006 Budget allocates funds previously provided for this program to other nuclear energy research and development efforts that support innovative ideas that benefit the public interest and would otherwise not be pursued by the private sector (such as deriving hydrogen from nuclear power and next generation (Generation IV) nuclear power technologies).

Department of Energy: Discretionary Proposal
Nuclear Energy Research Initiative (NERI)

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	2	---	–2

Background

Initiated in 1999, the NERI program funds research and development (R&D) on next-generation nuclear energy technologies and fundamental areas of nuclear science. Starting in 2004, the Department began incorporating NERI activities directly into its main nuclear R&D programs (e.g., Generation IV R&D, the Advanced Fuel Cycle Initiative, and the Nuclear Hydrogen Initiative). Housing NERI within the core R&D programs allows for more targeted and coordinated research. This should lead to improved results for the Department of Energy's nuclear R&D efforts and should achieve greater participation of the Nation's university research community in these activities. The 2006 Budget completes this transition.

Administration Action

The 2006 Budget proposes to eliminate funding for NERI as a separate program and to integrate these funds into the Department's main nuclear R&D programs. These funds will continue to be devoted entirely to nuclear energy research conducted at universities and colleges throughout the United States. The programs retain the independent peer review critical to ensuring the pursuit of leading-edge technologies.

Department of Energy: Discretionary Proposal
Oil and Gas Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	79	20	–59

Background

The Oil and Gas research and development (R&D) programs develop technologies that reduce the cost of exploration and production of petroleum and natural gas reserves. The programs' activities often duplicate private-sector R&D efforts, and do not meet the Administration's performance results or R&D Investment Criteria. The Oil and Gas R&D programs were rated "Ineffective" in the PART analysis of program performance, based largely on their inability to demonstrate clear results of the research efforts.

Administration Action

The 2006 Budget provides for the orderly termination of the Oil and Gas R&D programs. These R&D activities are more appropriate for the private-sector oil and gas industry to perform. The industry has the financial incentive and resources to develop new ways to extract oil and gas from the ground more cheaply and safely. The $20 million of budget authority proposed in the Budget will be used to fulfill environmental remediation, contract termination, and other legal obligations incurred by ending the program. Prior-year funds will be used to support ongoing projects. The orderly termination of the programs will be structured to avoid disruption to the Federal workforce and minimize contractual obligations in 2006.

Department of Health and Human Services: Discretionary Proposal
ACF Community Service Programs
(not consolidated into the Economic and Community Development Programs)

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	30	---	–30

Background

The *National Youth Sports* program is an annual grant that provides a developmental and instructional sports program to low-income youth. For over 30 years the same grantee has received this funding creating, in effect, a noncompetitive program (2005 budget authority: $18 million).

The *Community Food and Nutrition* program provides grants to public and private entities to coordinate food assistance, identify sponsors for child nutrition programs, and test approaches to meet the nutrition needs of low-income people. States currently receive similar assistance through programs administered by the Department of Agriculture's Food and Nutrition Service (2005 budget authority: $7 million).

The *Job Opportunities for Low-Income Individuals (JOLI)* program provides grants to non-profits to create new employment and business opportunities for low-income individuals. Local communities may provide similar services targeted to low-income individuals with funding from the economic development grant in the Commerce Department (2005 budget authority: $5 million).

These programs have no performance standards to assess their effect.

Administration Action

No funds are being requested for National Youth Sports, Community Food and Nutrition, and JOLI for 2006. These programs are too narrowly focused to have a major benefit and either duplicate other Federal programs or are essentially noncompetitive. This year's Budget focuses resources on other, higher priority programs.

Department of Health and Human Services: Discretionary Proposal
ACF Early Learning Opportunities Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	35	---	–35

Background

The Early Learning Opportunities Program was created in 2001 to provide grants supporting local community efforts that help parents, caregivers, educators, and childcare providers increase their capacity to facilitate child development. Grants may also be used to improve access to existing learning programs by expanding the hours centers are open or the number of children served. In 2004, the Administration for Children and Families awarded about 40 grants, ranging from $268,000 to $1 million, to local community councils.

The program duplicates the Department of Education's Early Reading First program (2006 budget authority: $104 million), and the Early Childhood Education Professional Development Grant program (2006 budget authority: $15 million) funds activities similar to this program.

Administration Action

No funds are being requested for the Early Learning Opportunities Program in 2006. This is consistent with the Administration's requests for fiscal years 2002-2005. The Early Reading First and the Early Childhood Education Professional Development grants will support local community efforts in a more comprehensive manner.

Department of Health and Human Services: Discretionary Proposal
CDC Congressional Earmarks

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	60	---	–60

Background

The Congress earmarked $60 million for specific projects at nearly 200 universities, community organizations and other entities through the Centers for Disease Control and Prevention (CDC) in 2005. The Congress has directed over $250 million of the Federal investments made through CDC to individual awardees since 2001. Examples of earmarks funded by the Congress through CDC in 2005 include an award to a local YMCA for fitness equipment and an award for the International Species Information System. These earmarks are not awarded competitively by CDC and do not go through CDC's merit-based awards process.

Administration Action

The 2006 Budget requests no funding for project earmarks funded by the Congress at the Centers for Disease Control and Prevention. The Administration believes that these earmarks do not represent an effective use of Federal dollars. Competitive grants that are peer reviewed and can be targeted toward high priority National needs are a more effective use of Federal funding.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	131	---	–131

Background

The main uses of the Preventive Health and Health Services Block Grant (PHHSBG) are chronic disease prevention (40%), public health infrastructure (16%), access to healthcare (13%), injury reduction (7%), prevention and services for sex offenses (6%), immunizations and infectious diseases (6%), and other activities (12%). In 2004, the average award to States was approximately $2 million. The PHHSBG has been funded at about the same level for each of the past six years.

The PHHSBG was created in 1981 through the consolidation of multiple categorical programs. Since that time, categorical programs have reemerged. In the main areas covered by the block grant, CDC categorical programs have grown to more than $750 million a year. The block grant lacks national level performance outcome information and overlaps with categorical funding.

Administration Action

The 2006 Budget proposes no funding for the Preventive Health and Health Services Block Grant (PHHSBG) at the Centers for Disease Control and Prevention (CDC). The 2006 Budget instead invests in categorical grants at CDC where there is greater accountability and evidence of impact, such as grants for cancer prevention and children's immunizations. The 2006 Budget also continues to make significant investments in the public health system through State and local bioterrorism preparedness grants through the Public Health and Social Services Emergency Fund.

Department of Health and Human Services: Discretionary Proposal
CDC Youth Media Campaign

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	59	---	–59

Background

The CDC Youth Media Campaign is a paid media campaign to encourage young people aged 9-13 to be more physically active. The campaign was first funded in 2001 at $125 million. The Administration requested no funding in 2002 and 2003 and $5 million each year in 2004 and 2005. The Youth Media campaign has developed lessons and materials over the past four years that can also be used for public service announcements and by the private sector. Some owners of children's programming have recently created programs intended to get children to be more physically active, including Nickelodeon, the Disney Channel and PBS Kids. The establishment of these programs, which support the same objectives as the Youth Media Campaign, illustrates that there is no longer a need for this Federal program.

Administration Action

The 2006 Budget proposes no funding for the Youth Media Campaign at the Centers for Disease Control and Prevention (CDC). Instead, the 2006 Budget invests in competitive grants in school health, nutrition, and physical activity to help States and local communities improve the health of the Nation's youth.

Department of Health and Human Services: Discretionary Proposal
Direct Service Worker Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	3	---	–3

Background

The Direct Service Worker grants were proposed as a time-limited demonstration in the 2003 and 2004 Budgets, and then extended in the 2005 Budget. These workforce demonstration grants test the effectiveness of various strategies to recruit and retain direct care services workers that support disabled individuals who want to stay in the community.

Administration Action

The 2006 Budget does not include the Direct Service Worker grants, which are a three year, time-limited demonstration. These grants expire after 2005.

The 2006 Budget includes approximately $3 billion over ten years ($385 million in budget authority in 2006) in other mandatory demonstrations and programs in support of the President's New Freedom initiative for individuals with disabilities, including the Money Follows the Person demonstration. The Budget's Medicaid modernization proposal also addresses the institutional bias by promoting State efforts to emphasize community-based care for disabled individuals.

Department of Health and Human Services: Discretionary Proposal
HRSA Emergency Medical Services for Children

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	20	---	–20

Background

The Emergency Medical Services for Children (EMSC) program provides grants to States to improve existing Emergency Medical Services (EMS) systems and to schools of medicine to develop and evaluate improved procedures and protocols for treating children. This is the first year that EMSC will not receive funding in the Budget, based to a large extent on the program's low PART rating and its inability to demonstrate results.

The EMSC PART assessment found that despite twenty years of funding, the program has not demonstrated a connection to improvements in health outcomes of children and adolescents receiving emergency medical services. The program also failed to set long-term health outcome goals that would provide evaluators with measures with which to measure the program's effectiveness in the future.

Administration Action

The 2006 Budget proposes no funding for Emergency Medical Services for Children (EMSC) program at the Health Resources and Services Administration (HRSA). The EMSC program has not demonstrated that its activities have led to improvements in the health outcomes of children and adolescents who have required emergency medical care. The objectives of this program can be achieved by States through programs funded by the much larger ($724 million in 2006) Maternal and Child Health Block Grant.

Department of Health and Human Services: Discretionary Proposal
HRSA Health Facilities Construction Congressional Earmarks

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	476	---	–476

Background

In 2005, the Congress directed almost half a billion dollars in earmarks through the Health Resources and Services Administration (HRSA). The Congress provided $486 million to over 900 hospitals, universities, and other entities. The earmarks are awarded to specific projects and locations and do not go through HRSA's merit-based awards process. Many of these projects have received continuous funding for years. The Congress has directed more than $1.7 billion through this program to individual awardees since 2001. Examples of earmarks funded by the Congress through HRSA in 2005 include an award to a policy institute for developing internet-based educational materials for integrative medicine and an award to a health department for medical resident stipends.

Administration Action

In the 2006 Budget, the Administration will again propose the elimination of funding for HRSA awards earmarked to specific projects and locations. The Administration believes that these earmarks do not represent an effective use of Federal dollars. Competitive grants that are peer reviewed and can be targeted toward high priority National needs are a more effective use of Federal funding.

Department of Health and Human Services: Discretionary Proposal
HRSA Healthy Community Access Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	82	---	–82

Background

The Healthy Community Access Program (HCAP) at the Health Resources and Services Administration (HRSA) was first funded in 2000. Past Budget requests have reduced or eliminated the program.

The program provides small grants to consortia of healthcare providers to build networks and support coordination. HCAP consortia include health departments, federally qualified health centers, public hospitals, and businesses. Funds can be used for a broad range of activities, such as buying computers, developing disease management protocols, and developing referral arrangements. The program lacks concrete goals and does not have a demonstrated impact on expanding access to health care.

Administration Action

The 2006 Budget proposes to terminate the Healthy Community Access Program. As of 2005, the Federal government has invested $525 million in HCAP without knowing what return has been received.

The Budget includes $125 million for Health Information Technology activities. The Budget invests generously in programs that provide access to health care. The President has requested $2.0 billion for Health Centers, a $304 million increase over the 2005 level, to provide access to care for more than 16.3 million low-income individuals, regardless of ability to pay. The Budget also includes $1 billion in grants over two years for Cover the Kids, a new campaign to enroll millions more low-income children in Medicaid and SCHIP. The Budget also includes tax policies that will facilitate individuals' purchase of health insurance, including:

- $74 billion over 10 years for health-insurance tax credits for low-income families that will ultimately help 15 million families purchase affordable health insurance.
- $4 billion in grants to States to establish health insurance purchasing pools, through which people who qualify for the tax credit can obtain coverage.
- $28.5 billion over 10 years for tax deductions premiums for major medical insurance, which will ultimately help 6 million Americans save for their health care costs in tax-free accounts.
- $19.2 billion over 10 years for tax rebates for small businesses that contribute to their employees' HSAs, encouraging more small employers to offer health benefits.

Department of Health and Human Services: Discretionary Proposal
HRSA State Planning Grant Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	11	---	–11

Background

The State Planning Grant Program at the Health Resources and Services Administration (HRSA) was first funded in 2000. Past Budget requests have reduced or eliminated the program. The program provides grants to States to conduct health insurance surveys and develop plans for expanding access to insurance. The program lacks concrete goals and does not have an impact on expanding access to health insurance or reducing the number of uninsured.

Administration Action

The 2006 Budget proposes no funding for the State Planning Grant Program. As of 2005, the Federal government has invested $87 million in the program without knowing what return has been received.

The Budget invests generously in programs that provide access to health care. The President has requested $2.0 billion for Health Centers, a $304 million increase over the 2005 level, to provide access to care for more than 16.3 million low-income individuals, regardless of ability to pay. The Budget also includes $1 billion in grants over two years for Cover the Kids, a new campaign to enroll millions more low-income children in Medicaid and SCHIP. The Budget also includes tax policies that will facilitate individuals' purchase of health insurance, including:

- $74 billion over 10 years for health-insurance tax credits for low-income families that will ultimately help 15 million families purchase affordable health insurance.
- $4 billion in grants to States to establish health insurance purchasing pools, through which people who qualify for the tax credit can obtain coverage.
- $28.5 billion over 10 years for tax deductions premiums for major medical insurance, which will ultimately help 6 million Americans save for their health care costs in tax-free accounts.
- $19.2 billion over 10 years for tax rebates for small businesses that contribute to their employees' HSAs, encouraging more small employers to offer health benefits.

Department of Health and Human Services: Discretionary Proposal
HRSA Trauma Care

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	3	---	–3

Background

The Trauma Care Program was first funded in 2001. The program was developed to assist States in stabilizing the infrastructure of the Trauma/Emergency Medical Services (EMS) systems. Funds for this program have also been used to provide State-by-State Trauma/EMS assessments.

These program's activities are duplicative of those already provided by the States through their much larger ($724 million in 2006) Maternal and Child Health Block Grant. The past three President's Budgets have not requested funding for the program.

Administration Action

The 2006 Budget proposes no funding for the Trauma Care Program at the Health Resources and Services Administration (HRSA). This program's activities are duplicative of activities funded by the much larger Maternal and Child Health Block Grant.

Department of Health and Human Services: Discretionary Proposal
HRSA Traumatic Brain Injury

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	9	---	–9

Background

Since 1997, the Traumatic Brain Injury (TBI) Grant Program has funded the development and implementation of statewide systems designed to provide access to comprehensive and coordinated traumatic brain injury services. This is the first year that the Budget does not fund TBI, based to a large extent on the program's low PART rating and its inability to demonstrate results. The TBI PART assessment found that the program had failed to demonstrate results and had not set long-term health outcome measures that would enable evaluators to determine the effectiveness of its activities.

Administration Action

The 2006 Budget proposes no funding for Traumatic Brain Injury (TBI) Program at the Health Resources and Services Administration (HRSA). The TBI program has not demonstrated that its activities have led to improvements in the health outcomes of children and adolescents who have suffered traumatic brain injury.

Department of Health and Human Services: Discretionary Proposal
HRSA Universal Newborn Hearing Screening

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	10	---	–10

Background

The Universal Newborn Hearing Screening Program supports the physiologic testing of newborn infants prior to their hospital discharge, audiologic evaluation by three months of age, and entry into a program of early intervention by six months of age. HRSA awards competitive grants to the States to implement the program. Presently, all States are screening the vast majority of infants.

This program's activities are duplicative as States provide population-based services through the much larger ($724 million in 2006) Maternal and Child Health Block Grant. The past three President's Budgets have not requested funding for the program.

Administration Action

The 2006 Budget proposes no funding for the Universal Newborn Hearing Screening Program at the Health Resources and Services Administration (HRSA). The program has largely accomplished its mission of helping States implement newborn hearing screening programs. In addition, the program's activities are duplicative of activities already provided by the States through their much larger Maternal and Child Health Block Grant.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	40	---	–40

Background

The Centers for Medicare and Medicaid Services Real Choice Systems Change grants have been funded since 2001. These grants were established to help States develop improvements to provide community-based supports for individuals with disabilities.

Administration Action

The 2006 Budget does not continue this transition grant. The Real Choice Systems Change grants encourage States to develop the infrastructure to move more disabled individuals from institutions into home and community-based care. After five years, these grants have helped States develop a better understanding of how to improve their home and community-based supports and provide these services more effectively.

The 2006 Budget includes approximately $3 billion over ten years ($385 million in budget authority in 2006) in other mandatory demonstrations and programs in support of the President's New Freedom initiative for individuals with disabilities, including the Money Follows the Person demonstration. These mandatory proposals fund several demonstrations that are similar to those funded under the Systems Change grants. The Budget's Medicaid modernization proposal also addresses the institutional bias by promoting State efforts to emphasize community-based care for disabled individuals.

Department of Housing and Urban Development: Discretionary Proposal
HOPE VI

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	143	–143	–286

Background

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

The program was originally designed to address a discrete problem – demolish 100,000 dangerous and dilapidated public housing units by the end of 2003. Today, that goal has been exceeded. Through 2004, 117,000 units have been demolished and HUD has approved and funded the future demolition of almost 50,000 more. In addition, the 2005 PART analysis found the program to be more costly than other alternatives. GAO found the housing-related costs of a HOPE VI unit were 27 percent higher than a housing voucher and 47 percent higher when non-housing costs were included. And finally, the program has also been slow to produce results. Typically at least five years pass between the time a HOPE VI award is made and when a new unit is occupied. In contrast, the HOME block grant program produces new rental units within about 2 years.

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

Administration proposal

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

Department of the Interior: Discretionary Proposal
BLM Jobs-in-the-Woods Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	6	---	–6

Background

The Bureau of Land Management's (BLM) Jobs-in-the-Woods program began in the early 1990s as a temporary program to assist timber workers in the Northwest displaced as a result of reduced timber harvests on Federal lands, primarily related to litigation over the endangered Northern Spotted Owl and retooling in the wood-products industry. The program employed workers to conduct a variety of ecosystem restoration activities. Since then, many displaced workers have moved on to find other work.

More recently, timber volume offered on Federal lands has increased, and the Administration is requesting additional funding for timber management on Federal lands in 2006. A similar program in the Fish and Wildlife Service was terminated in 2005.

Administration Action

The 2006 Budget proposes to terminate the BLM's Jobs-in-the-Woods program. The program was a temporary measure and is no longer necessary. It was initiated in the early 1990s to provide temporary employment for timber workers affected by decreased harvesting allowed on Federal lands. The programmatic effects of this change will be partially offset by funding increases for other ecosystem restoration activities, including increased thinning of late successional forests to improve their old-growth characteristics.

Department of the Interior: Discretionary Proposal
LWCF State Recreation Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	90	---	–90

Background

Land and Water Conservation Fund (LWCF) State recreation grants were first authorized under the 1965 LWCF Act, which sought to "conserve, develop, and utilize [outdoor recreation] resources for the benefit and enjoyment of the American people." Until the mid-1990's, LWCF funds were only used for Federal land acquisition and State recreation grants. Since then, the Congress and the Administration have broadened the use of LWCF funds to support a variety of conservation and partnership programs. The 2006 Budget continues to propose LWCF funds for these programs, which generally help fulfill Federal goals and needs.

A 2003 PART review of the LWCF State recreation grants program gave it a low score (25% out of 100%) because the program lacked performance measures and could not demonstrate results.

Administration Action

The 2006 Budget terminates LWCF State recreation grants. These grants support improvements to State and local parks that are more appropriately funded through State revenues or bonds. In fact, State bonds have raised billions of dollars for State and local parks and recreation programs in recent years. Federal funding for these local purposes is not a responsibility for Federal taxpayers. Further, a PART review found the current program could not measure performance or demonstrate results.

Department of the Interior: Discretionary Proposal
NPS Statutory Aid

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	11	---	–11

Background

The National Park Service (NPS) statutory aid includes a variety of small earmarks to different groups that have some connection to conservation, historic preservation, or outdoor recreation. The Executive Branch historically has sought to limit the number of these grants, because they are not subject to a competitive merit-based process and generally do not fund national priorities. Starting with the 2005 Budget, the Administration has proposed to completely eliminate these grants in order to concentrate resources on higher Federal priorities, such as maintaining national parks.

Administration Action

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

Department of the Interior: Discretionary Proposal
Rural Fire Assistance Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	10	---	–10

Background

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

Administration Action

The 2006 Budget proposes to terminate the Rural Fire Assistance program. The program is duplicative of other fire assistance grant programs. The items and activities funded by these grants could be funded with existing Department of Homeland Security and Forest Service grant funding. Instead, the Department of the Interior will focus more of its fire preparedness resources on training and certification of local firefighters so that they are qualified to assist with fires on Federal lands.

Department of Justice: Discretionary Proposal
Byrne Discretionary Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	168	---	–168

Background

The Byrne Discretionary grants were authorized in the Anti-Drug Abuse Act of 1988 and are intended to help State and local law enforcement control violent and drug-related crime, as well as improve operations and coordination. While other similar grants were formula-based, the discretionary program was intended to allow funds to be targeted to high priority needs.

In recent years, each annual funding bill has prescribed funding for a lengthy list of projects (over 200 in 2005), making it virtually impossible to target resources to priority crime needs. Without performance reporting, the program has not been able to demonstrate an impact on crime.

Administration Action

The 2006 Budget proposes to terminate the Byrne Discretionary Grant Program. Without the ability to target funds to the most meritorious projects, based on a competitive grant process, and with no demonstrable impact on crime, there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority law enforcement programs.

Department of Justice: Discretionary Proposal
Byrne Justice Assistance Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	626	---	–626

Background

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

The crime rate has declined during this Administration—today, the crime rate is at a 30-year low. Also, despite spending more than $4 billion since 2001, the JAG grants and its predecessors have not been able to demonstrate an impact on crime. Much of the justification for such assistance has diminished in comparison to other priority needs, such as increasing Federal counterterrorism efforts and reducing the Federal deficit.

Administration Action

The 2006 Budget proposes to terminate the JAG grants. With the crime rate at an historic low and with no demonstrable impact on crime, there is little justification for continued funding in comparison to other priority needs. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority programs.

Department of Justice: Discretionary Proposal
COPS Hiring Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	10	---	–10

Background

The Community Oriented Policing Services (COPS) Hiring Grants, administered by the Office of Community Oriented Policing, provide temporary, 3-year grants to local police departments for the hiring of police officers, after which the local agencies absorb the full costs of retention of the officers. The program has met the previous Administration's goal for the hiring of 100,000 officers; funding has been provided for the hiring of over 118,000 police officers.

Evaluations of the COPS Hiring Grants have raised questions about the effectiveness of such grants in producing a measurable impact on crime. A 2004 PART assessment showed that the program could not demonstrate results. In addition to the PART assessment, the Heritage Foundation's Center for Data Analysis has found the grants ineffective in reducing violent crime.

The crime rate has declined during this Administration. Today, the crime rate is at a 30-year low and much of the justification for such assistance has diminished in comparison to other priority needs, such as increasing Federal counterterrorism efforts and reducing the Federal deficit.

Administration Action

The 2006 Budget proposes to terminate the COPS Hiring Grant program as have previous Administration budgets. The program has accomplished its goals. The lack of demonstrated results as well as a crime rate at an historic low call into question continued funding for the program. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority programs.

Department of Justice: Discretionary Proposal
COPS Interoperable Communications Technology Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	99	---	–99

Background

Administered by the Office of Community Oriented Policing Services, the COPS Interoperable Communications Technology Grant Program was initiated in 2003 to provide grants to State/local law enforcement agencies to upgrade communications equipment and promote interoperability among emergency response agencies.

As in preceding years, the 2006 Budget proposes consolidating such assistance through the Department of Homeland Security (DHS) to ensure that priority needs for interoperable communications are met at the State and local level. (In 2004, DHS grantees allocated over $800 million for this purpose.) The 2006 Budget proposes almost $3.6 billion in grants within DHS for homeland security grants, of which State and local law enforcement would be eligible for $2.5 billion. Addressing interoperable communications needs of first responders, including law enforcement, is a top priority for this DHS funding. As a result, a separate program within the Department of Justice is not needed.

Administration Action

The 2006 Budget proposes to terminate the COPS Interoperable Communications Technology Grant Program because it is duplicative of DHS grants. The interoperable communications technology needs of first responders, including State and local law enforcement, are addressed by DHS homeland security grants.

Department of Justice: Discretionary Proposal
COPS Law Enforcement Technology Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	137	---	–137

Background

The COPS Law Enforcement Technology Grant dates to 1998, when it received its first appropriation. The program provides grants to State and local law enforcement for technology and equipment to assist with crime fighting. In recent years, each annual funding bill has prescribed funding for a lengthy list of projects (over 300 in 2005), making it virtually impossible to target resources to priority crime needs. The program has not been able to demonstrate its impact on crime.

The crime rate has declined during this Administration. Today, the crime rate is at a 30-year low and much of the justification for such assistance has diminished in comparison to other priority needs, such as increasing Federal counterterrorism efforts and reducing the Federal deficit.

Administration Action

The 2006 Budget proposes to terminate the COPS Law Enforcement Technology Grant Program. Without the ability to target funds to priority projects based on a competitive grant process, with the crime rate at an historic low, and with no demonstrable impact on crime, there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority programs.

Department of Justice: Discretionary Proposal
Juvenile Accountability Block Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	54	---	–54

Background

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

Much of the justification for this assistance has diminished in comparison to other priority needs, such as increasing Federal counterterrorism efforts and reducing the Federal deficit. The program was assessed and found ineffective using the PART process for the 2004 Budget. Other than anecdotal information, there is little evidence that the program reduces juvenile crime. Today, the crime rate is at a 30-year low. Juvenile crime has fallen as well-- by 23 percent over the last decade.

Administration Action

The 2006 Budget proposes to terminate the JABG Program. With crime at an historic low, juvenile arrests falling, and the program found ineffective, there is little justification for continued funding. The Budget proposes to cancel funding for this program and to redirect the dollars to other higher priority law enforcement programs.

Department of Justice: Discretionary Proposal
National Drug Intelligence Center

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	39	17	–22

Background

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

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

Administration proposal

The Administration proposes to terminate funding for NDIC. This proposal would allow the Administration to focus resources on a smaller number of intelligence providers, including the new multi-agency Drug Intelligence Fusion Center, which will help to reduce intelligence duplication and coordination problems and enhance the government's ability to address emerging threats. An additional $14 million is requested for the Fusion Center in 2006. The Budget provides $17 million of residual funding in 2006 for associated shutdown costs of the NDIC. An additional $14 million is requested for the Fusion Center in 2006.

Department of Justice: Discretionary Proposal
Other State/Local Law Enforcement Assistance Program Terminations

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	94	---	–94

Background

The Office of Justice Program manages a number of small assistance programs that are intended to assist State and local law enforcement. No funding is requested for the Crime Information Technology Assistance (CITA) Program (-$28 million) or the Coverdell Forensic Science Grants (-$15 million) because the Administration is prioritizing Federal assistance to DNA funding for crime labs through the Administration's DNA Initiative, consistent with prior budgets, funded at $236 million in the 2006 Budget. Police Corps (-$15 million) has not proven cost-effective at approximately $180,000 per officer trained. In addition, funding is not requested for: Victims of Trafficking Grants (-$10 million), the White Collar Crime Information Center (-$9 million), the Automated Victim Notification Program (-$8 million), COPS Safe Schools (-$4 million), Law Enforcement Family Support (-$2 million), Elderly Telemarketing Fraud (-$2 million), and the Alzheimer Patient Safe Return Program (-$1 million). Most of these programs are too narrow and fragmented to have a nationwide impact on crime. Hate Crime Technical Assistance and Training (-$1 million) was a one-time request for 2005.

For forensic sciences and laboratory improvement grants, the Budget focuses on improvements that support uses of DNA to solve crimes and protect the innocent, rather than the general improvements that have been funded through the Crime Information Technology and Coverdell programs. Most of the programs above cannot demonstrate results.

Administration Action

The 2006 Budget proposes to terminate several State and local law enforcement assistance programs. In some cases (CITA and Coverdell grants), needs are being addressed through the DNA Initiative, funded at $236 million in the 2006 Budget. In other cases the programs have not demonstrated results and are too fragmented to have a nationwide impact on crime. The Budget proposes to cancel funding for these programs and to redirect the dollars to other higher priority law enforcement programs.

Department of Justice: Discretionary Proposal
State Criminal Alien Assistance Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	301	---	–301

Background

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

The 2006 Budget proposes $3.8 billion for immigration enforcement in the Department of Homeland Security, an increase of about 10 percent compared with 2005. The Budget requests increases for the Detention and Removal program, worksite enforcement, and the Border Patrol. Enhancing immigration enforcement addresses the causes of having to incarcerate criminal aliens in State/local detention facilities. In addition, programs such as the Department of Justice's Project Safe Neighborhoods work with local prosecutors to prosecute violent criminals through the Federal courts—reducing some of the burden of State/local courts and law enforcement. As a result, the Federal government is taking custody of more offenders, including criminal aliens who otherwise would be incarcerated at the State or local level.

Administration Action

The 2006 Budget proposes to terminate SCAAP. Because of SCAAP's lack of performance results, as well as other Federal efforts to strengthen immigration enforcement, the Administration proposes to reallocate funding to other priority needs such as Federal counter-terrorism efforts and deficit reduction.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	76	---	–76

Background

Authorized in section 167 of the Workforce Investment Act (WIA) of 1998, the Migrant and Seasonal Farmworkers program is intended to help economically disadvantaged migrant and seasonal farmworkers, and their families, move out of chronic unemployment and underemployment. The program strives to achieve its mission by awarding competitive grants to organizations that provide participants training and supportive services, such as emergency assistance and housing.

An analysis of program results determined that about 60 percent of participants receive no training, and instead receive only low-cost supportive services that other Federal programs also finance. Despite the importance of these short-term supportive services, the program does not achieve its primary purpose, which is to help farmworkers find more stable, year-round employment, with a goal of reaching economic self-sufficiency.

Administration Action

The 2006 Budget proposes to terminate the Migrant and Seasonal Farmworkers Training program. This program duplicates the training and services provided through other Federal efforts, does not focus sufficiently on job training, demonstrates poor performance accountability for grantees, and earned an Ineffective rating in its assessment using the PART.

The Administration is proposing legislation to reform the Workforce Investment Act so that States and WIA's nearly 3,600 One-Stop Career Centers can better train and assist migrant farmworkers through a consolidated, flexible State grant program.

Department of Labor: Discretionary Proposal
Reintegration of Youthful Offenders

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	50	---	–50

Background

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

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

Administration Action

The 2006 Budget proposes to terminate earmarked funding for the Reintegration of Youthful Offenders program, and better serve this population through the President's Prisoner Re-entry Initiative. Proposed in the 2004 State of the Union address and the 2005 Budget, this four-year initiative will offer a range of job training, housing, and mentoring services and harness the experience of faith-based and community organizations. The 2006 Budget includes $75 million in new funding for the President's Prisoner Re-entry Initiative to address the problems faced by ex-offenders in a more effective way, through services provided by the Departments of Labor, Housing and Urban Development, and Justice.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	74	---	–74

Background

The National Defense Tank Vessel Construction Program was established in 2005 to provide financial assistance to the private sector for the construction of new product tank vessels (e.g. specialized oil tankers). $74 million was appropriated for this program in the Consolidated Appropriations Act of 2005. While these vessels may be made available for the military when needed, the primary purpose will be for commercial service.

Administration Action

The President's Budget proposes to terminate the National Defense Tank Vessel construction program and rescind the $74 million provided in 2005. The program is similar to a costly and ineffective ship construction program that was terminated in 1981.

The proposal to terminate this program is aimed at reducing unwarranted corporate subsidies. The Administration believes that the commercial shipbuilding industry should rely on private sector financial investment based on market demand.

Department of Transportation: Discretionary Proposal
Federal Railroad Administration
Railroad Rehabilitation and Improvement Financing Loan Program (RRIF)

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	NA	NA	NA

Background

The goal of the Railroad Rehabilitation and Improvement Financing Loan Program (RRIF), which was established in 1997, is to provide low cost funding to support the financing of improvement and rehabilitation of rail infrastructure. The interest rate charged to borrowers is the rate paid on comparable Treasury securities.

The utility and equity of making government loans to private railroads is unclear. Currently, RRIF is open to both large and small railroads, without regard for their ability to draw upon private capital. Further, RRIF loans are not limited to financing safety or capacity capital investment; railroads may use these loans to refinance their existing debts to private lenders.

The recently enacted "American Jobs Creation Act of 2004" provides benefits similar to the RRIF program. This law creates tax credits for smaller railroads for track maintenance, and eliminates the 4.3 cent per gallon diesel fuel tax previously imposed on all railroads.

Administration Action

Based on recent changes in tax law, which provides assistance more equitably to railroads than RRIF, the Budget recommends terminating the RRIF loan program. The program does not receive appropriated funds to make loans, so eliminating it would not produce budget savings. However, it would reduce the Federal Government's exposure to the risk of costly defaults.

Environmental Protection Agency: Discretionary Proposal
Unrequested Projects

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	489	---	–489

Background

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

Administration Action

The 2006 Budget proposes savings from not continuing funding for earmarked projects in three EPA accounts. These projects divert funding from other higher priority programs, circumvent competitive processes, and divert people and associated financial resources from the Agency's core mission activities. While funding for such projects decreased from 2004 to 2005, the number of projects increased to a record 863 in 2005. As the number of grants increase, EPA must devote more resources to oversight, regardless of funding levels.

Environmental Protection Agency: Discretionary Proposal
Water Quality Cooperative Agreements

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	17	---	–17

Background

The Water Quality Cooperative Agreements program provides grants to States, municipalities, and other entities to promote the prevention, reduction and elimination of water pollution. Activities eligible for funding through the Water Quality Cooperative Agreements program include research, investigations, experiments, training, environmental technology demonstrations, surveys, and studies. However, the program's utility to applicants is limited, as funds cannot be used for ongoing programs.

Administration Action

The Budget redirects funding for Water Quality Cooperative Agreements to EPA Water Pollution Control grants. Unlike the Water Quality Cooperative Agreements, which cannot fund ongoing programs, Water Pollution Control grants help States establish and implement ongoing clean water programs. States have the primary responsibility for developing and implementing programs to comply with the Clean Water Act, and are facing challenges in meeting the Act's requirements. These additional funds will provide States with resources for long-term critical activities such as water quality permitting and monitoring.

National Aeronautics and Space Administration: Discretionary Proposal
Hubble Space Telescope Robotic Servicing Mission

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority..............................	291	---	–291

Background

The Hubble Space Telescope was deployed in 1990 and had a planned 15-year lifetime. The telescope was designed to be upgraded and maintained every few years using Space Shuttle flights. Due to astronaut safety concerns, NASA cancelled the next Shuttle-based servicing mission, prompting the agency to refocus its attention on developing a mission to service Hubble via robotic means.

Recent evaluations conducted by a number of independent groups have concluded that a robotic servicing mission may cost upwards of $2 billion and that there is a high probability that the mission will fail due to the use of unproven technology and the compressed schedule required to reach Hubble before the telescope's systems fail beyond repair.

Administration Action

The 2006 Budget proposes to terminate the mission to robotically service the Hubble Space Telescope. Given the high cost and low chance of success associated with a Hubble robotic servicing mission, it is more appropriate to allocate limited resources to the development of the next-generation of space telescopes that will replace the Hubble. Hubble's science operations will continue to be funded as long as the telescope remains operable, and NASA will continue to aggressively work on further extending Hubble's useful life, developing techniques to conduct scientific investigations even as the telescope's pointing system ages and becomes less stable. NASA will continue developing a device to de-orbit Hubble for public safety reasons as planned at the end of its useful life. The 2006 Budget supports the development of several telescopes expected to be launched within the next decade that will surpass Hubble's scientific capability.

National Veterans Business Development Corporation: Discretionary Proposal

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	2	---	–2

Background

The National Veterans Business Development Corporation (NVBDC) was created under the Veterans Entrepreneurship and Small Business Development Act of 1999 with the mandate of helping the nation's veterans access technical assistance and develop small businesses. Funding for NVBDC was originally authorized through 2003 and the organization was mandated to become financially self-sufficient thereafter. Because the organization encountered delays in establishing a reasonable business plan for financial independence, appropriations were subsequently provided in 2004 and 2005.

Administration Action

The Administration is no longer requesting to fund the NVBDC and proposes that the organization become financially self-sufficient, consistent with its authorization language.

Postal Service: Discretionary Proposal
Revenue Forgone Appropriation

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	29	---	–29

Background

This program reimburses USPS for prior years' lost revenue from legislatively mandated reduced rates to non-profit mailers. In 1994, the Congress authorized $1.2 billion to be appropriated to USPS in $29 million increments over a 42 year period. Through 2004, the President's Budget has proposed, and the Congress has appropriated, $29 million annually. As of 2005, USPS has been reimbursed $348 million, with a remaining balance of $870 million. The President's 2005 Budget proposed to discontinue this reimbursement. During the 2005 budget process, the House agreed to discontinue the reimbursement but the Senate did not. The final enacted 2005 Appropriations Act included the reimbursement.

Administration Action

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

Small Business Administration: Discretionary Proposal
Microloan Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	15	---	–15

Background

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

Administration Action

The Budget proposes termination of the Microloan program because it is not cost effective. The program costs taxpayers nearly $1 for each $1 lent. The small businesses currently served by the Microloan program can be served by other SBA programs, including 7(a) Community Express, as well as other government and non-government programs.

Small Business Administration: Discretionary Proposal
Small Business Investment Company Participating Securities Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority*..........................	---	---	---

*Program was funded in 2004 through borrower fees rather than subsidy appropriations.

Background

The Small Business Investment Company (SBIC) Participating Securities program was created in 1994 as an equity-based complement to SBA's debt-based venture-capital program, SBIC Debentures. Over the past ten years, the SBIC Participating Securities program has sustained losses to the taxpayer – as evidenced by cumulative net upward credit-subsidy reestimates – of $2.2 billion (excluding $0.5 billion in interest on the reestimates) on slightly more than $6 billion in disbursements. These losses are indicative of a structurally flawed program.

Moreover, the private venture capital industry has grown substantially over the past decade; SBIC Participating Securities represent only about 3 percent of industry activity over the period 1994 – 2004.

Participating Securities ceased making new guaranteed commitments on October 1, 2004, because sufficient borrower fees were not enacted to cover the program's costs.

Administration Action

The 2006 Budget does not support new guaranteed investments for the SBIC Participating Securities program. Rather than make new investments through this program, SBA will continue to improve efforts to measure and mitigate risk in approximately $9 billion in commitments in the program's portfolio.

In addition, the 2006 Budget supports $3 billion in guaranteed venture capital investments for small businesses through the related SBIC Debentures program.

SPENDING REDUCTIONS

Summary of Selected Discretionary Program Reductions in the FY 2006 Budget

(Budget authority in millions)

Major Reductions	Has the reduction been proposed before? 2002	2003	2004	2005 Request	2005 Enacted	2006 Request	Delta: 2006 Request less 2005 Enacted
Department of Agriculture							
Federal (In-House) Research	Y	Y	Y	988	1,102	996	-106
Forest Service Capital Improve and Maintenance	N	N	N	501	515	381	-134
Forest Service Wildland Fire Management (incl. supp. and emergency funding)	N	N	N	1,695	2,097	1,444	-653
Mandatory Reductions Providing Discretionary Offsets:							
Biomass Research and Development	N	N	N	---	-NA-	-2	-2
Broadband	N	N	Y	-40	-NA-	-50	-50
CCC - Bioenergy	N	N	Y	-50	-NA-	-90	-90
CCC - Market Access Program	N	N	Y	-15	-NA-	-75	-75
Farm Bill Programs (EQIP)	N	Y	Y	-200	-NA-	-200	-200
Farm Bill Programs (CSP)	N	N	N	-40	-NA-	-40	-40
Farm Bill Programs (WHIP)	N	Y	Y	-25	-NA-	-25	-25
Farm Bill Program (Farm and Ranchland Protection)	N	Y	Y	-13	-NA-	-16	-16
Farm Bill Programs (Ag. Management Assistance)	N	N	N	---	-NA-	-14	-14
IFAS	Y	Y	Y	-260	-NA-	-300	-300
Renewable Energy	N	Y	Y	-23	-NA-	-23	-23
Rural Firefighter Grants	N	Y	Y	-30	-NA-	-40	-40
Rural Strategic Investment Program	N	N	N	-100	-NA-	-100	-100
Rural Business Investment Program	N	N	N	-65	-NA-	-89	-89
Value-added Grants	N	Y	Y	-80	-NA-	-120	-120
Watershed Rehabilitation	N	Y	Y	-150	-NA-	-210	-210
Reductions are proposed to various mandatory programs authorized by the FY 2005 Farm Bill to create discretionary savings.							
NRCS Conservation Operations	N	N	Y	710	831	768	-63
NRCS Resource Conservation and Development Program	N	N	N	51	51	26	-25
Water and Wastewater Grants and Loans	Y	Y	Y	439	548	450	-98
[non-add program level: grant BA plus loan level]				[1,424]	[1,526]	[1,456]	[-70]
Total, Agriculture Major Reductions				**3,293**	**5,144**	**2,671**	-2,473
Department of Commerce							
Manufacturing Extension Partnership	N	Y	Y	39	108	47	-61
Total, Commerce Major Reductions				**39**	**108**	**47**	-61
Department of Education							
Adult Education State Grants	N	N	N	574	570	200	-370
State Grants for Innovation	N	N	N	296	198	100	-98
Total, Education Major Reductions				**870**	**768**	**300**	-468
Department of Energy							
Environmental Management	N	N	N	7,187	7,054	6,505	-549
Total, Energy Major Reductions				**7,187**	**7,054**	**6,505**	-549
Health and Human Services							
HRSA Children's Hospitals GME Payment Program	Y	Y	Y	303	298	200	-98
HRSA Health Professions	Y	Y	Y	158	447	161	-286
HRSA Rural Health	Y	Y	Y	56	147	33	-114
SAMHSA Programs of Regional and National Significance	N	N	N	979	891	838	-53
State, Local & Hospital Bioterrorism Preparedness Grants	N	N	N	1,305	1,418	1,280	-138
Total, HHS Major Reductions				**2,801**	**3,201**	**2,512**	-689
Department of Housing and Urban Development							
Housing for Persons with Disabilities	N	N	Y	249	238	120	-118
Native American Housing Block Grant	N	N	N	626	622	522	-100
Public Housing Capital Fund	N	N	N	2,674	2,579	2,327	-252
Total, HUD Reductions				**3,549**	**3,439**	**2,969**	-470
Department of the Interior							
Bureau of Indian Affairs School Construction	N	N	N	229	263	174	-89
National Heritage Area Grants	N	Y	Y	3	15	5	-10
Payments in Lieu of Taxes	Y	Y	Y	226	227	200	-27
USGS, Mineral Resources Program	N	Y	Y	48	54	25	-29
Total, Interior Reductions				**506**	**558**	**404**	-154
Department of Justice							
Federal Bureau of Prisons Construction Program	N	N	Y	189	189	-144	-333
High Intensity Drug Trafficking Areas Program	N	Y	Y	208	227	100	-127
Juvenile Justice Law Enforcement Assistance Programs	N	N	Y	210	321	198	-123
Total, Justice Major Reductions				**607**	**737**	**154**	**---**
Department of Labor							
International Labor Affairs Bureau	Y	Y	Y	31	93	12	-81
Office of Disability Employment Policy	N	N	N	48	47	28	-19
Workforce Investment Act Pilots and Demonstrations	Y	Y	Y	30	85	30	-55
Total, Labor Reductions				**109**	**225**	**70**	-155
Department of State							
Assistance for the Independent States of the Former Soviet Union	N	N	N	550	556	482	-74
Total, State Major Reductions				**550**	**556**	**482**	-74

Summary of Selected Discretionary Program Reductions in the FY 2006 Budget

(Budget authority in millions)

Major Reductions	Has the reduction been proposed before? 2002	2003	2004	2005 Request	2005 Enacted	2006 Request	Delta: 2006 Request less 2005 Enacted
Department of Transportation							
FAA - Facilities and Equipment	N	N	N	2,500	2,525	2,448	-77
FAA - Airport Improvement Program (Oblim)	N	N	N	3,500	3,497	3,000	-497
FRA - Next Generation High Speed Rail	N	N	N	---	19	---	-19
Department of Treasury							
Internal Revenue Service - Taxpayer Service	N	N	N	-NA-	3,606	3,567	-39
Total, Treasury Reductions				**-NA-**	**3,606**	**3,567**	-39
Enviromental Protection Agency							
Alaska Native Villages	N	N	N	40	45	15	-30
Clean Water State Revolving Fund	N	N	N	850	1,091	730	-361
Total, EPA Major Reductions				**890**	**1,136**	**745**	-391
National Aeronautics and Space Administration							
Aeronautics: Vehicle Systems Program	N	N	N	577	569	459	-110
Jupiter Icy Moons Orbiter	N	N	N	405	402	280	-122
Total, NASA Major Reductions				**982**	**971**	**739**	**-232**
Other Agencies							
NARA: National Historical Publications & Records Commission	N	N	N	10	5	---	-5
U.S. Institute of Peace, Construction of New Building	N	N	N	---	99	---	-99
Total, Other Agency Reductions				**10**	**104**	**---**	-104
SUBTOTAL, MAJOR REDUCTIONS				**23,893**	**30,151**	**23,613**	**-6,538**

Major Reform Proposals with 2006 Savings	**2005 Enacted**	**2006 Request**	**2006 - 2005 Delta**
Agriculture: Rural Telephone Bank	3	2	-1
Commerce: Economic and Community Development Programs	5,314	3,710	-1,604
Homeland Security: State and Local Homeland Security Grants	3,985	3,565	-420
Homeland Security: Transportation Security Administration, Recover Aviation Security Screening Costs Through Fees	-2,580	-4,139	-1,559
Labor: Job Training Reform, Consolidate Grants Program	4,059	3,913	-146
Transportation: Amtrak	1,207	360	-847
Army Corps of Engineers (Civil Works): Performance Guidelines for Funding Construction Projects	1,782	1,637	-145
U.S. Agency for International Development and Department of Agriculture: International Food Aid	1,558	1,541	-17
SUBTOTAL, MAJOR REFORM PROPOSALS WITH 2006 SAVINGS	**15,328**	**10,589**	**-4,739**

TOTAL, Major Reductions and Reform Proposal with 2006 Savings	**-11,277**

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	1,102	996	–106

Background

This program provides funding for in-house work by Federal scientists on agricultural issues, in such areas as agricultural productivity and human nutrition. The research consists of about 1,000 projects at over 100 Federal facilities. The Administration requests additional funding to meet priority research needs, such as homeland security issues. In past years, the Congress has included funding for specific projects at specific locations while significantly under funding unencumbered funds.

Administration Action

In the 2006 Budget, the Administration proposes savings from not continuing $175 million in earmarks in the Agricultural Research Service, while also proposing an additional $88 million for high priority areas, such as food safety, homeland security, genomics and genetics, and environmental conservation. Earmarked projects often avoid the competitive process, and create a challenge to efficiently and effectively manage research staff.

Department of Agriculture: Discretionary Proposal
Forest Service Capital Improvement and Maintenance

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	515	381	–134

Background

The Capital Improvement and Maintenance program provides funding to improve and maintain facilities, roads, and trails infrastructure for recreation, fire, administrative, and other uses of the National Forest System and infrastructure for forest research programs. Other Federal agencies typically have a working capital fund to fund these needs. Working capital funds charge the cost of various services back to the federal program that benefits from the service. However, the Forest Service lacks authority for such a working capital fund. In addition, the Forest Service has closed a large number of old or functionally obsolete facilities. The Forest Service currently has pilot authority to sell these facilities and retain the proceeds to reduce maintenance costs, but it lacks a permanent disposal authority to aid its ability in addressing its maintenance backlog.

Administration Action

The Administration proposes the establishment of a working capital fund for facilities management to which Forest Service programs that use facilities will for the first time pay a share of the cost to maintain those facilities. In addition, the proposal establishes authority for the Forest Service to retain the proceeds from sales of unneeded facilities, with proceeds to be used to address the agency's deferred maintenance needs. The funds generated will reduce the need for the current appropriated level for the program. The Forest Service expects receipts of $50 million in 2006 from the sale of excess facilities. Finally, the Budget proposes saving from not continuing $29 million in 2005 Congressionally earmarked projects.

Department of Agriculture: Discretionary Proposal
Forest Service Wildland Fire Management

Funding Summary
(In millions of dollars)

	2005 Enacted*	2006 Proposed**	Change From 2005
Budget Authority	2,097	1,444	–653

*Includes $394 million in unrequested supplemental funding and $263 million in hazardous fuels.
**Reflects transfer of $281 million in hazardous fuels funding to National Forest Systems account.

Background

The Wildland Fire Management Program protects life, property, and natural resources from wildland fire on 192 million acres of National Forest System lands and adjacent lands under agreements with State and local governments. The program includes planning, prevention, detection, training, equipment and supply purchase and replacement, fire suppression, and other actions. Because wildfire suppression costs can vary greatly from year to year, the Administration's policy is to budget for the cost of fire suppression using the 10-year average. This level reduces the need for supplemental appropriations or Forest Service redirecting resource management funds to fight fires. A 2004 PART evaluation noted weaknesses in incentives for controlling suppression costs and in the process for allocating preparedness resources effectively. In 2005, the Congress appropriated $394 million in unrequested one-time supplemental funds for suppression.

Administration Action

The Budget provides the ten-year average for wildfire suppression costs while maintaining fire readiness funding at the 2005 Budget level. The Administration's proposal includes Forest Service implementation of key recommendations of the PART review to improve accountability for fire costs and improved performance measurement. The proposal does not continue $394 million in one-time supplemental fire suppression funding provided in the 2005 appropriation, which only becomes available if suppression costs in 2005 exceed the ten-year average.

Department of Agriculture: Discretionary Proposal
Mandatory Reductions Providing Discretionary Offsets

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority:			
Initiative for Future Agriculture and Food Systems……..	–260	–300	–40
Watershed Rehabilitation………….	–150	–210	–60
Environmental Quality Incentives Program…….	–183	–200	–17
Value-added Marketing Grants………	–80	–120	–40
Rural Strategic Investment Program……	–100	–100	---
Bioenergy Program…….	–50	–90	–40
Rural Business Investment Program……	–86	–89	–3
Market Access………….	---	–75	–75
Broadband Program……	–40	–50	–10
Conservation Security Program………	–47	–40	7
Rural Firefighter Grant Program…………	–30	–40	–10
Wildlife Habitat Incentives Program…….	–38	–25	13
Renewable Energy……..	–23	–23	---
Farmland Protection Program…….	–13	–16	–3
Agriculture Management Assistance Program……	---	-14	–14
Biomass Research……..	---	-2	–2
Total BA Offsets………	–1,100	–1,394	–294

Note: The 2005 Consolidated Appropriations Act contained language which enacted obligation delays, rather than cancellations, of $1,280 million in funding for mandatory programs authorized by the 2002 Farm Bill, a portion of which is listed above. As a result of the obligation delays, the funding for some of the programs becomes available again in 2006. The 2006 Budget rebases the effect of the provisions as mandatory because the funding is authorized for mandatory, rather than discretionary, programs. The 2006 Budget proposes to cancel a portion of the funding for these mandatory programs and use the savings as a discretionary offset in 2006.

Background

The 2002 Farm Bill contained funding for numerous mandatory programs. During the appropriations process over the last several years, the Congress has routinely blocked, rather than cancelled, funding for these mandatory programs to offset increased discretionary spending. For example, the Congress approved mandatory reductions totaling $360 million in 2002, $443 million in 2003, and $377 million in 2004.

Administration Action

The 2006 Budget proposes to cancel funding for lower-priority and duplicative programs authorized by the 2002 Farm Bill which will allow the Administration to provide additional discretionary resources in support of higher-priority programs. The proposed mandatory funding cancellations (listed in order of amount of dollars saved) would affect the following programs. In the past the Administration has proposed and the Congress has adopted similar savings except where indicated by an asterisk (*). In many cases programs are supported elsewhere in the Budget through tax proposals or discretionary programs.

- *Initiative for Future Agriculture Food Systems* – This program provides funding for competitive research grants. The Budget proposes to cancel $300 million comprised of both new authority and funding made available in prior years.
- *Watershed Rehabilitation* – This program provides funding to communities to assist in the construction of flood prevention infrastructure. The Budget proposes to cancel $210 million comprised of both new authority and funding made available in prior years.
- *Environmental Quality Incentives Program* – This program provides financial and technical assistance to farmers and ranchers to install conservation measures on working lands to address a variety of natural resource concerns, including air, soil, and water quality. The Budget proposes to cancel $200 million out of $1.2 billion available in 2006.
- *Value-added Grants* – This program provides marketing assistance grants to local communities. The Budget proposes to cancel $120 million comprised of both new authority and funding made available in prior years.
- *Rural Strategic Investment Program* – This program provides rural communities with resources to develop strategic planning and economic development strategies. The Budget proposes to cancel all program funds ($100 million) in 2006.
- *Bioenergy Program* – This program compensates agricultural producers for increased production of biodiesel and ethanol. The Budget proposes to cancel $90 million out of $150 million available in 2006. The Administration provides significant support for alternative fuels through tax proposals and other domestic programs.
- *Rural Business Investment Program* – The purpose of this program is to promote economic development in rural areas through loans and grants to rural businesses. The Budget proposes to cancel all available program resources ($89 million) in 2006.
- *Market Access Program* – This program helps U.S. producers, exporters, private companies, and other trade organizations finance promotional activities for U.S. agricultural products. The Budget proposes to cancel $75 million out of $200 million available in 2006.

- *Broadband* – This program provides loans to improve telecommunications services in rural areas. The proposal would eliminate a mandatory loan program designed to finance the installation of broadband transmission capacity to rural communities but instead proposes $10 million for a discretionary program that will support an additional $359 million in loans. This program is part of the President's commitment to make broadband available to everyone by 2007. The Budget proposes to cancel $50 million comprised of both new mandatory authority and mandatory funding made available in prior years.
- *Conservation Security Program* – The program provides financial and technical assistance to producers who have already performed high levels of conservation in order to reward and maintain their model stewardship. The program also pays qualified producers to do further environmental enhancements on their operations. The Budget proposes to cancel $40 million out of $314 million available in 2006.
- *Rural Firefighter Grants* – This program provides grants to local communities for firefighter training and is duplicative of other grant programs. The Budget proposes to cancel $40 million comprised of both new authority and funding made available in prior years.
- *Wildlife Habitat Incentives Program* – This program provides financial and technical assistance to landowners to develop habitat for upland and wetland wildlife. The Budget proposes to cancel $25 million out of $85 million available in 2006.
- *Renewable Energy* – This program provides loans and grants to farmers, ranchers and small rural businesses to purchase renewable energy systems. The Budget proposes to cancel the $23 million made available in 2006.
- *Farm and Ranch Land Protection Program* – The program provides matching funds to State, Tribal, and local governments and to non-governmental organizations to help purchase development rights to keep productive farm and ranch land in agricultural uses. The Budget proposes to cancel $16 million out of $100 million available in 2006.
- *Agricultural Management Assistance* * – The program provides assistance to agricultural producers to mitigate financial risk by using conservation measures to reduce soil erosion and improve water quality. The Budget proposes to cancel $14 million out of $20 million made available in 2006.
- *Biomass Research* * – This program's primary goal is to coordinate and accelerate Federal biobased products and bioenergy research and development. The Budget proposes to cancel $2 million out of $14 million available in 2006.

Department of Agriculture: Discretionary Proposal
NRCS Conservation Operations

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	831	768	–63

Background

The Natural Resources Conservation Service (NRCS) Conservation Operations account primarily funds the staff costs for the agency's State- and field-level personnel to provide voluntary conservation technical assistance to land-users, communities, State and local government, and other Federal agencies in planning and implementing conservation systems. The agency works primarily with agricultural producers to identify natural resource concerns on their farming and ranching operations, and then to design and deliver conservation measures to address their concerns.

Increasingly, the Congress is adding earmarks to NRCS's Conservation Operations account with over $100 million in local projects added in both 2004 and 2005.

Administration Action

The 2006 Budget proposes to eliminate unrequested congressional earmarks in NRCS Conservation Operations account. The earmarks fund a large number of local conservation, education, and research projects, many of which are not a Federal priority or responsibility, and reduce the agency's ability to address higher conservation priorities.

Department of Agriculture: Discretionary Proposal
NRCS Resource Conservation and Development Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	51	26	–25

Background

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

Because the program was first established in the 1960s, over half of the 375 RC&D areas have received Federal financial support for at least 20 years. In many cases, RC&D areas have received Federal support for more than 30 or 40 years.

A PART assessment of the program found that it is highly duplicative of other USDA and Federal resource conservation and rural development programs. Also, the RC&D Program does not prioritize and target funding based on need or performance.

Administration Action

The 2006 Budget proposes a new policy for the RC&D Program that phases out Federal support for the local planning areas after 20 years of funding. In effect, this policy would cancel Federal funding for 189 RC&D areas (out of a total of 375 areas) in the 2006 Budget for a savings of $25 million. At this point, most of these local communities should have the experience and capacity to identify, plan, and address their own priorities. Despite the fact that this program goal has largely been achieved, local communities have never stopped receiving funding. The resulting savings would be redirected to other high-priority conservation activities.

Department of Agriculture: Discretionary Proposal
Water and Wastewater Grants & Loans

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	548	450	–98
Program Level	1,526	1,456	–70

Background

For over 60 years, USDA has provided financing to rural communities for water and wastewater treatment facilities. Specifically, these funds are available to low-income rural communities of 10,000 or fewer people. The program finances drinking water, sewer, solid waste disposal, and storm drainage facilities through direct or guaranteed loans and grants. Priority is given to loans serving smaller communities that have greater financial need, based on their median household income, poverty levels, and size of service population.

Administration Action

Funding for the Water and Wastewater Grants and Loans are recommended at a reduced level from what was provided in 2005. The Administration's proposal funds the program at approximately the same level that it has been requested for the last three years. Because of the relatively low interest rate on loans, more rural communities are able to afford to repay loans so that the program can operate at a higher loan to grant ratio than it has over previous years when rates were higher. At the requested level, an estimated 570,000 rural households will experience new or improved service facilities.

Department of Commerce: Discretionary Proposal
Manufacturing Extension Partnership

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	108	47	–61

Background

The Manufacturing Extension Partnership (MEP) provides business and technical consulting services to small and medium sized manufacturers. MEP's original 1988-legislated design called for a phase-out of Federal monies to each center after six years of funding, with the goal of making each center self-sufficient. Currently, fees generally cover one-third of the program's cost; the Federal government and State/local matching grants together cover the remaining two-thirds of the cost. In principle, firms should be willing to pay for consulting services that increase their profitability.

Administration Action

The Budget proposes to fund MEP at $47 million, a 50-percent reduction from the 2005 grant level. The Administration's approach will maintain a strong national network of centers while focusing funding based on centers' performance and need. The program has also augmented funding through expanding partnerships with other agencies and institutions. Given this new operating environment, the Administration believes the program has evolved to a stage at which less reliance on direct appropriations is required.

The Administration is committed to strengthening the competitiveness of the Nation's manufacturing industry. Since taking office, the President has provided tax relief that has benefited manufacturers of all sizes, and has proposed an aggressive job training initiative. The President has also outlined a six-point plan to reduce healthcare costs, decrease lawsuit burdens, ensure an affordable and reliable energy supply, streamline regulations, open markets for American products, and enable families and businesses to plan for the future with confidence.

Department of Education: Discretionary Proposal
Adult Education State Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	570	200	–370

Background

The Adult Education (Adult Ed) State Grants program provides grants to states intended to teach adults how to read and learn other skills that will help them obtain a high school diploma, employment, and economic self-sufficiency. The PART found that the program could not demonstrate results because of poor data quality and the absence of a national evaluation to assess the program's effectiveness and rated it Results Not Demonstrated. The program does not have strong accountability mechanisms to ensure that States and localities support effective programs that will achieve measurable results. The program has made only modest gains on measures of performance linked to program completion and English Language skill attainment. For example, in 2003, only 36 percent of English as a Second Language participants improved their English skills to advance to the next level.

As part of the Workforce Investment Act reauthorization, the Administration proposed a "Blueprint" for a reformed Adult Ed program that funds research-based programs that demonstrate positive literacy and work-related outcomes. Although both the House and Senate reauthorization bills introduced last year adopted some reforms, they did not create sufficiently strong accountability mechanisms to ensure positive outcomes from Federal investments. Action was not completed on those bills.

Administration Action

The Administration proposes to reduce the funding requested for Adult Ed. The total request for this program the Administration includes $69 million for English Language and Civics Education grants to ensure that a large portion of the immigrants served by Adult Ed still receive services. The Department of Education will work with States to improve the overall program and ensure that funds support local programs that will lead to measurable, positive outcomes for participants.

Department of Education: Discretionary Proposal
State Grants for Innovative Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	198	100	–98

Background

State Grants for Innovative Programs support formula grants to State and local educational agencies (LEAs) for projects designed to support the reform of elementary and secondary education. A wide array of activities can be carried out with program funds including: professional development and class-size reduction activities; charter schools; community service programs; consumer, economic and personal finance education; public school choice; programs to hire and support school nurses, and school-based mental health services.

This program is not well targeted to districts and schools with the greatest need, does not have strong accountability mechanisms to ensure funds are helping to improve student achievement, and does not have a demonstrated track record of measurable results.

Administration Action

The Administration proposes to reduce the amount of funding for State Grants for Innovative Programs. This request is consistent with the Administration's policy of increasing resources for targeted, high-priority programs that hold the greatest promise for helping States and school districts close the achievement gap. School districts may use funds provided under other Federal programs, such as Improving Teacher Quality State Grants ($2.9 billion in 2006) and Title I Grants to LEAs ($13.3 billion in 2006), to support many of the activities authorized under State Grants for Innovative Programs. The request level continues the recent trend in reduced appropriations for this block grant program, as Congress reduced its funding by 35 percent in 2005.

Department of Energy: Discretionary Proposal
Environmental Management

Funding Summary
(In millions of dollars)

	2005 Enacted*	2006 Proposed	Change From 2005
Budget Authority	7,054	6,505	–549

*For comparability, the 2005 Enacted numbers have been adjusted to remove the costs of activities proposed in the 2006 Budget to be transferred to the National Nuclear Security Administration (NNSA).

Background

More than five decades of nuclear weapons production and energy research have left significant quantities of radioactive and hazardous contamination and waste at Federal facilities, which must be cleaned up. Established in 1989, this program is responsible for cleaning up 107 of the Department of Energy's (DOE) sites, subject to oversight by State and Federal regulators. In February 2002, DOE completed an extensive review of the program and began implementing recommendations to accelerate cleanups. In addition, the 2003 Budget proposed to provide significant additional resources (more than $4.5 billion over five years for all sites) to sites that agreed with the regulators to implement revised cleanup strategies.

Administration Action

The Administration proposes to reduce program funding due to the success of program reforms, which have significantly reduced environmental, safety, and health risks. For instance, the cleanup of Rocky Flats will be completed in 2006 after nearly 15 years of work. The 2006 Budget continues these cleanup reforms, which are expected to accelerate cleanup at remaining sites by 35 years and save over $50 billion, reducing the estimated total lifecycle costs from $196 billion to $142 billion, including NNSA sites. The peak year of funding for this initiative was 2005.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	298	200	–98

Background

Children's Hospitals Graduate Medical Education Payment Program (CHGME PP) at the Health Resources and Services Administration (HRSA) was first funded in 2000 at $40 million. Since 2000, the size of the program has increased nearly eight-fold. Past Budgets have requested reduced funding for the program. The program provides payments to free-standing children's hospitals via a statutory formula that incorporates the number of residents, number of discharges, number of beds, and the hospital's case-mix. In 2005, the program provided an average subsidy of $4.9 million to 61 children's hospitals.

A PART assessment concluded that there is not a demonstrated need for CHGME PP. As a group, the financial status of children's hospitals is generally better than other hospitals. In 2000, seventy-four percent of supported children's hospitals reported operating with positive total margins. That same year, only sixty-seven percent of all hospitals and fifty-nine percent of major teaching hospitals reported positive margins.

Administration Action

The 2006 Budget requests $200 million for the Children's Hospitals Graduate Medical Education Payment Program. The request will continue substantial Federal support for freestanding children's hospitals. The Budget will provide 61 children's hospitals with an average award of $3.3 million. The Budget simply reduces funding for a subsidy that has as its only purpose to provide funding to hospitals regardless of need or financial status.

The Budget improves access to health care by focusing investments on programs with a demonstrated impact on placing health professionals in underserved areas. The Budget proposes $123 million for the National Health Service Corps to direct health professionals into communities facing a critical shortage of physicians, dentists, and other health professionals and invests $150 million in the education of nurses.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	447	161	–286

Background

Health Professions training grants at the Health Resources and Services Administration (HRSA) finances 40 different grants and cooperative agreements to roughly 1,700 institutions. Eighteen of the last nineteen Budgets have reduced funding for Health Professions.

The Health Professions programs were created forty years ago, partially in response to an anticipated national shortage of physicians. That shortage does not exist. Between 1991 and 2001, the U.S. physician population increased by 26 percent, twice the rate of growth of the total population. Evaluations have not linked the Health Professions programs to changes in supply, distribution, and minority representation of physicians and other health professionals. The Health Professions program has received an Ineffective PART rating.

Administration Action

The 2006 Budget requests $161 million for Health Professions training grants. Continuing these subsidies to persuade people to enter well-paid medical careers is not the best use of Federal funds, particularly when there is no national shortage of physicians. There are regions and pockets of the county that face critical shortages, but eight of every ten providers who benefit from the program’s long-term training support do not enter shortage areas. For those graduates who do enter service in shortage areas, there are no data on how long they continue to serve.

In contrast to physicians, the Nation does face a nursing shortage. The Budget invests $150 million in the education of nurses, including $31 million for scholarships and loan repayments tied to a service commitment in an underserved community.

The Budget improves access to health care by focusing investments on programs with a demonstrated impact on placing health professionals in underserved areas. The Budget proposes $123 million for the National Health Service Corps to direct health professionals into communities facing a critical shortage of physicians, dentists, and other health professionals.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	147	33	–114

Background

Rural Health programs at the Health Resources and Services Administration (HRSA) provide support to Critical Access Hospitals (CAH) and fund policy development, State offices of rural health, and provider network planning. Past Budgets have reduced or eliminated funding for the Rural Health programs. In past years, these programs have funded numerous Congressional earmarks.

The HRSA Rural Health programs are duplicative of other Federal programs. The Department of Health and Human Services (HHS) administers 225 health and social services programs that provide resources to rural areas. The Medicare Modernization Act (MMA) increased payments to rural areas by approximately $20 billion over 10 years. The MMA increased funding to hospitals (including CAHs), physicians, ambulance services, skilled nursing facilities, and home health agencies that serve rural areas.

Administration Action

The 2006 Budget requests $33 million for HRSA's Rural Health programs. The Budget maintains funding for rural health research activities conducted under the Policy Development program to help advise the Secretary on rural health issues. The Budget also maintains funding for telehealth activities and State offices of rural health. Funding is reduced for defibrillators, as much of the demand for these medical devices has been met. Consistent with previous President's requests, funding is eliminated for programs that are duplicative of other HHS and Federal agencies' programs.

The Budget maintains support for health care in rural areas. The rural provisions of the MMA ensured that beneficiaries can continue to find a Medicare provider wherever and whenever they need care. The Budget proposes $2.0 billion, a $304 million increase, for Health Centers. More than 50 percent of Health Centers are in rural areas and more than seven million low-income and underserved individuals will receive health care from rural Health Centers in 2006.

Department of Health and Human Services: Discretionary Proposal
SAMHSA Programs of Regional and National Significance

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	891	838	–53

Background

The Substance Abuse and Mental Health Services Administration's (SAMHSA's) three Programs of Regional and National Significance (PRNS) programs—Mental Health, Substance Abuse Prevention, and Substance Abuse Treatment—include two components. The Best Practices component supports grants and contracts to identify and disseminate information on effective strategies for treatment and prevention of mental illness and substance abuse. The Targeted Capacity Expansion component supports competitive grants and contracts to provide direct services and programs to treat and prevent mental illness and substance abuse.

The PART analysis of Substance Abuse Treatment PRNS rated the program as Adequate, but recommended shifting funding from Best Practices to Targeted Capacity Expansion component to focus resources on expanding access to treatment for those who need it.

Administration Action

The 2006 Budget proposes to reduce funding for Best Practices in PRNS. The Administration's proposal focuses SAMHSA's funding on grants for service and program delivery, while continuing to support research of effective treatment and prevention strategies conducted by the National Institutes on Drug Abuse (NIDA), Alcohol Abuse and Alcoholism (NIAAA), and Mental Health (NIMH). The 2006 combined budgets of NIDA, NIAAA, and NIMH to conduct research on the prevention and treatment of drug and alcohol abuse and mental illness total $2.9 billion.

Department of Health and Human Services: Discretionary Proposal
State, Local and Hospital Bioterrorism Preparedness Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	1,418	1,280	–138

Background

State, Local and Hospital Bioterrorism Preparedness Grants are provided directly to the States to support improvements to public health and hospital systems that will increase preparedness against a bioterrorist attack or other public health emergency. In 2001 this program was funded at $67 million, growing to more than $1.5 billion by 2003. That growth was based on the need to improve preparedness following the events of September 11, 2001, and the anthrax attacks of that fall, rather than a strong scientific rationale behind a specific funding level. It has never been intended that these investments should be permanent or borne entirely by the Federal government.

Based on those factors and the need to make more directed Federal investments to address emerging priorities such as biosurveillance for early attack warning, the 2005 Budget proposed a reduction to these grants (-$145 million) for the first time. The proposed reduction was not enacted.

Administration Action

The 2006 Budget continues to invest heavily in assistance for State, local and hospital bioterrorism preparedness, requesting $1.28 billion for 2006. While this is a reduction of $138 million, it would bring the total investment in this area since 2001 to $6.7 billion. The 2006 Budget re-directs Federal Biodefense investments for priorities such as medical surge capacity, and increased supplies of life saving treatments and vaccines in the Strategic National Stockpile. Overall, the 2006 Budget provides $4.2 billion for HHS Biodefense preparedness activities, an increase of $154 million over 2005.

Department of Housing and Urban Development: Discretionary Proposal
Housing for Persons with Disabilities

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	238	120	–118

Background

The Housing for Persons with Disabilities program (also known as "Section 811" program) has provided construction grants, housing operating subsidies and housing vouchers for very low-income persons with disabilities. Federal grants finance the acquisition, construction, or rehabilitation of multifamily or group homes. Funds for project operation are provided when projects are occupied. The PART analysis found that the capital grant program is prone to development delays and construction cost overruns.

HUD also funds housing vouchers, which give assistance directly to recipients so that they can afford to rent apartments on their own in the private market. HUD's efforts to combat homelessness and more general forms of housing assistance (public housing, project-based housing, and vouchers) also serve many persons with disabilities.

Administration Action

The Administration proposes to eliminate funding for capital grants to construct housing for low-income persons with disabilities. Funds are included for about 1,000 new vouchers for persons with disabilities. Furthermore, assistance funded in prior years is continued and fully funded in 2006; there will be no reduction in the number of people served.

Department of Housing and Urban Development: Discretionary Proposal
Native American Housing Block Grant

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	622	522	–100

Background

This program provides funds on a formula basis to Indian tribes and their designated housing entities to address housing needs in their communities. Grantees have substantial latitude in applying funds to various housing investments. While there is a prevalence of poor housing conditions on many Indian reservations, the program is unable to demonstrate that it is effective in improving conditions.

Administration Action

The Administration proposes to reduce Native American Housing Block Grants by 16 percent in 2006. This program was reviewed two years ago using the PART, and it was determined that the program could not demonstrate results. No measures of outcomes for the program are currently in place.

Despite the reduction in new funding proposed, the program will have the same amount of funds available in 2006 as were appropriated in 2005. The program has significant unspent balances of funds which HUD will draw upon to maintain an adequate program level.

Grantees can leverage additional funds by pledging their awards as collateral for housing financing (under the Title VI loan guarantee program). Use of this tool has increased the amount of housing funds available to tribes: the Budget projects guarantees will increase from $18 million in 2005 to $38 million in 2006.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	2,579	2,327	–252

Background

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

The Public Housing Capital Fund currently pays for the annual and long-term modernization needs of over 1.2 million public housing units. Public housing capital needs are estimated to accrue at a rate of $2.2 billion a year.

The condition of public housing units has improved in most cases through modernization and, in other cases, demolition of units in the worst condition, as evidenced by the fact that 85 percent of public housing units meet HUD's physical standards today as opposed to 82 percent in 2001. To pay for more comprehensive capital improvements, public housing authorities have been exercising new authority to use their Capital Fund dollars to leverage additional private bond or mortgage financing. The use of such authority has grown to over $1.8 billion in private financing since its enactment in 1998.

Administration Action

The Budget proposes to reduce funding for public housing modernization and renovation by 10 percent in 2006. The amount provided continues to cover the $2.2 billion annual rate of accrual of new capital needs, but public housing authorities are able to fund backlog capital needs by leveraging private investment dollars with their Capital Fund allocations. The Budget proposes to redirect program savings to other higher priority programs that more effectively deliver housing assistance to low-income households, such as Section 8 Tenant-based Rental Assistance.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	263	174	–89

Background

The Bureau of Indian Affairs (BIA) serves approximately 48,000 students and resident-only boarders (about seven percent of all Native American children) in 184 elementary and secondary schools and dormitories located in 23 states. In 2001, only 35 percent of these schools were in good or fair condition. The President committed to spend nearly $1 billion to repair and build Indian schools starting in 2002. This funding commitment has been met.

A 2006 PART of the program showed that BIA is making progress to address deficiencies identified in the initial 2004 PART. For example, BIA no longer finalizes construction cost estimates before the design is completed, and now limits the amount of funds obligated for construction projects prior to completion of planning and design. However, the 2006 PART and recent Inspector General audits have noted that problems remain in the program. For example, new schools are being designed larger than necessary due to inflated student enrollment levels. In addition, BIA has had difficulty absorbing funding increases during the last five years, and has carried over large unobligated balances each year, including approximately $200 million into 2005.

Administration Action

The 2006 budget proposes to reduce funding for the BIA school construction program, reflecting successful completion of the President's repair and building commitment and a slowdown in construction to allow planning and design to catch up with construction awards. With the 2006 budget, funding will have been secured for replacement and major improvement projects for approximately 40 percent of the entire inventory of BIA schools. When these projects are completed, more than 65 percent of the schools will be in good or fair condition, nearly double the number that were in that condition in 2001.

Department of the Interior: Discretionary Proposal
National Heritage Area Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	15	5	–10

Background

National Heritage Area grants began in the 1980s on an ad hoc basis as a means to assist local groups in protecting historical resources. These Areas are managed by non-Federal groups, but they usually receive National Park Service (NPS) grants once they are federally designated. During the late 1990s, the amount of Federal funding and the number of Areas grew rapidly, so that now there are 27 federally designated Areas and proposals for dozens more. As initially proposed, Federal funding would be temporary until newly established Areas could find a stable source of permanent funds. However, none of the existing 27 Areas have stopped receiving Federal funds.

A 2004 GAO report found that “no systematic process currently exists for identifying qualified sites and designating them as national heritage areas.” The report went on to recommend that, absent congressional action to establish a formal heritage area program, NPS needs to increase accountability by: (1) developing standards for reviewing management plans; (2) requiring regular financial audits; and (3) developing results-oriented performance measures for heritage area activities.

Administration Action

The President’s Budget reduces NPS grants to non-Federal groups that are responsible for managing National Heritage Areas. These Areas were designated without national criteria and are managed by non-Federal groups without agreed upon performance requirements. This reduction seeks to encourage heritage areas in becoming self-sufficient and to prompt action in establishing a formal program that sets limits and criteria for what areas are worthy of designation.

Department of the Interior: Discretionary Proposal
Payments in Lieu of Taxes

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	227	200	–27

Background

The Department of the Interior's Payments in Lieu of Taxes (PILT) program provides payments to units of local government (e.g., counties) that contain federally owned land within their boundaries. The formula-based payments are meant to compensate local governments for their inability to tax Federal lands within their jurisdiction. In effect, PILT is a form of revenue sharing. If the lands were privately owned, States and local governments would be able to collect taxes from the owners. On the other hand, they would not share in the revenues generated from mineral and other extractive industries, as they do now. The Federal Government also incurs many of the costs associated with managing these lands (e.g., roads and facilities) that would otherwise be borne by local governments. Local areas also enjoy many benefits from Federal lands within their boundaries such as increased tourism and recreation.

PILT funding was essentially flat for two decades. It increased 48 percent in 2001 during a time of Federal surpluses and State budget troubles and has continued to increase each year. Funding for PILT has increased 69 percent since 2000.

Administration Action

The Budget provides $200 million for PILT, a 12 percent decrease from the record high 2005 enacted level, as a deficit reduction measure. However, this funding is still high by historical standards because PILT funding has increased dramatically in recent years. As recently as 2000, PILT funding was only $134 million. While State budgets are still tight, State finances have improved since 2001. According to the National Conference of State Legislatures, the States faced a cumulative budget gap of $17.5 billion in 2003. For 2005, the gap has shrunk 97 percent to $568 million. Given the need to restrain federal spending, maintaining the same level of PILT funding is not justified.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	54	25	–29

Background

The Mineral Resources Program (MRP) maintains national databases and provides information on the location and quantity of minerals, formation of minerals, and the impact of mining on the environment. MRP annually produces 4-5 systematic analyses, 700-720 mineral commodity reports and maintains five national geologic, geochemical, geophysical databases. A PART found that while the program is generally well managed, the program goals were too broad. Many of the products are directed to the interests of States, local governments, industry and academia rather than the Federal Government.

Administration Action

The 2006 Budget reduces MRP work on national and international mineral assessment products and basic research that benefit States, local governments, industry and academia. State and local governments, industry and universities could fund their own mineral assessments and basic research if they consider these products a priority. The reduction is consistent with a PART recommendation to focus MRP on activities that support land use and economic planning decisions. Remaining funds will be focused on mineral surveys and studies that are relevant to ongoing Federal energy, land management, regulatory, and remediation activities.

Department of Justice: Discretionary Proposal
Federal Bureau of Prisons Construction Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	189	–144	–333

Background

The Federal Bureau of Prisons (BOP) construction program was established 75 years ago to meet prisoner bedspace capacity requirements through the construction of new prisons, the expansion of existing prisons and the acquisition and conversion of military and other properties to house Federal prisoners. In addition, the construction program provides for the modernization and repair of Federal prisons. Currently, there are 104 federally owned and operated prisons nationwide housing over 153,000 inmates. Although current prison crowding is 39 percent, new prison activations and additional contract bedspace will allow BOP to meet its goal of reducing system-wide crowding to 35 percent by the end of 2005.

As part of the 2007 Budget review process, BOP will compare its prison construction program with those of the private sector and State and local governments to determine whether it is using the most cost effective methods to meet Federal inmate bedspace capacity requirements. BOP will also complete a review of existing prisons for upgrade and modification to house higher security inmates and review the availability of private sector and State and local jail space to help meet its capacity requirements for low security inmates. In addition, BOP will determine the degree to which inmate crowding is acceptable depending on security level.

Administration Action

The 2006 Budget proposes a moratorium on new prison construction pending the outcome of reviews to determine the best manner and methods to meet prisoner capacity requirements. In addition, the Budget proposes to rescind $314 million associated with the construction of two prisons – one in the Mid-Atlantic States and the other in New England. These funds are assigned to medium security prison construction projects which are not scheduled to complete construction and receive prisoners until 2009 – or beyond. As of the end of 2004, there were over $570 million of unobligated prison construction balances.

Department of Justice: Discretionary Proposal
High Intensity Drug Trafficking Areas Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	227	100	–127

Background

The High Intensity Drug Trafficking Areas (HIDTA) program was established in 1990 for the purpose of providing assistance to Federal, State and local law enforcement entities operating in those areas most adversely affected by drug trafficking. The first five HIDTAs were designated in New York, Los Angeles, Miami, Houston, and the Southwest Border area. Additional HIDTAs have been added, with a current total of 28 across the country.

The growth of the HIDTA program has taken it well beyond its original focus on a limited number of regions experiencing severe effects from unusually high levels of drug trafficking. In 2005, the program will spend $227 million on 28 areas that encompass 60 percent of the Nation's population. The program's growth has diluted the impact of funds and, as noted by the Government Accountability Office (GAO), has led to difficulties in program guidance and oversight. In addition, the GAO found it difficult to measure the program's impact. This corresponds with a 2005 PART assessment of HIDTA, in which the program was given a "Results Not Demonstrated" finding primarily due to the lack of necessary performance data.

Administration Action

The Administration proposes to reduce funds for the HIDTA program and relocate the program from the Office of National Drug Control Policy to the Department of Justice (DOJ). The restructuring and relocation would provide for a leaner, more focused HIDTA program that would allocate funds to a smaller number of areas. In the future, funding allocations would be based on a review of the local threat level, quality of the proposed programs and budgets submitted by HIDTA candidates, and extent to which the proposals complement the National Drug Control Strategy. The changes would allow for a more strategic targeting of funds while retaining the most effective aspects of the program.

In addition, placement of the HIDTA program in DOJ would enable HIDTA to complement other Federal drug enforcement programs within DOJ, especially the Drug Enforcement Administration and the Organized Crime and Drug Enforcement Task Force.

Department of Justice: Discretionary Proposal
Juvenile Justice Law Enforcement Assistance Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	321	198	–123

Background

The Department of Justice (DOJ) administers a number of programs to provide juvenile justice law enforcement assistance to States and localities that are unable to demonstrate results. For example, the Title II Part E Demonstration Grants Program, authorized in 2002, is intended to fund promising initiatives and programs for the prevention, control, or reduction of juvenile delinquency. Yet, in recent years, a lengthy, prescribed list of projects has been funded in this program, making it virtually impossible to for DOJ to target resources to the highest priority juvenile justice needs.

Today, the crime rate is at a 30-year low. Juvenile crime has fallen, as well. Between 1993 and 2002 (most recent data published), the annual number of juvenile arrests fell 23 percent.

Administration Action

The 2006 Budget proposes to reduce juvenile justice law enforcement assistance programs. These reductions are principally focused on the Title II Part E Demonstration Grants and the Gang Resistance Education and Training Program programs. Without the ability to target resources or demonstrate results, these programs are no longer cost-effective – especially at a time when juvenile crime has fallen. The Budget proposes to redirect these dollars, in part to a more promising approach to countering gang activity that leverages the efforts of faith-based and community organizations.

In addition, the Administration is proposing a three-year $150 million Anti-Gang Initiative to help youth at risk of gang influence and involvement. The aim is to provide grants to faith-based and community organizations for programs that will assist youth ages 8-17 who are at risk of gang involvement. These programs will help the at-risk youth make healthy decisions and will assist communities that are most in need.

Department of Labor: Discretionary Proposal
International Labor Affairs Bureau

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	93	12	–81

Background

The International Labor Affairs Bureau (ILAB) is charged with supporting the Secretary of Labor and the President's international labor agenda by undertaking a policy, research, analysis, and advocacy role. However, ILAB's mission has been redefined over the years to accommodate additional functions delegated from Congress and the Executive Branch. Between 1996 and 2002, ILAB's funding rose by 1,500 percent, when the agency assumed expanded grant making responsibilities designed to combat international child labor, develop and disseminate AIDS prevention information in the international workplace, support core labor standards development, and provide bilateral technical assistance

Administration Action

Consistent with Administration policy, the 2006 Budget eliminates funding for the ILAB's grant-making activities and restores the agency to its original mission of research and advocacy. The Administration believes that other international agencies, not the Department of Labor, should carry out grant-making activities that affect other countries. The Administration created the Millennium Challenge Account (MCA) to provide targeted, accountable international development assistance to poor countries with a demonstrated commitment to ruling justly, investing in people, and encouraging economic growth. The 2006 Budget requests $3.0 billion to continue the MCA's international assistance activities in developing countries.

Department of Labor: Discretionary Proposal
Office of Disability Employment Policy

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	47	28	–19

Background

In the Consolidated Appropriations Act of 2001, Congress created the Office of Disability Employment Policy (ODEP) to provide policy analysis, technical assistance, and dissemination of effective practices in order to increase the employment opportunities for people with disabilities within the Department of Labor's (DOL) programs. ODEP succeeded the expiring President's Task Force on Employment of Adults with Disabilities, which was created through an Executive Order and terminated in 2002 after submitting its final report. Since 2001, ODEP has assumed a wide range of grant-making responsibilities that have blurred its original mission. Its diverse portfolio includes grants that serve youth and adults with disabilities, and focus on emergency preparedness, homelessness, and veterans issues.

Administration Action

The 2006 Budget proposes to reduce funds for grant activities and return ODEP closer to its core mission. In 2006, the Budget request of $28 million will support research on disability employment, efforts to improve access by the disabled population to DOL's programs, and a targeted grant program to support the President's New Freedom Initiative.

Department of Labor: Discretionary Proposal
Workforce Investment Act Pilots and Demonstrations

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	85	30	–55

Background

Section 171(b) of the Workforce Investment Act of 1998 (WIA) authorizes the Secretary of Labor to carry out pilot and demonstration projects for the purpose of developing and implementing approaches and demonstrating the effectiveness of special methods in addressing employment and training needs. WIA stipulates that grants or contracts awarded for carrying out such projects should be awarded primarily on a competitive basis.

Administration Action

The 2006 Budget eliminates earmarked funding for nearly 200 narrow-purpose demonstration projects that were added by Congress in the 2005 Consolidated Appropriations Act. These earmarks support noncompetitive grants that often duplicate programs that are supported through the WIA State grant programs. The 2006 Budget returns this activity to the 2005 request level, which is sufficient to support a national pilot and demonstration effort, as authorized in the WIA.

Department of State: Discretionary Proposal
Assistance for the Independent States of the Former Soviet Union

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	556	482	–74

Background

Assistance for the Independent States of the Former Soviet Union (FSA) provides funds for programs supporting economic and democratic transitions. These programs are designed to consolidate the process of political and economic transition to market democracies, and to help address major socioeconomic dislocations where they occur during these transitions. This account was first authorized in 1992 and first funded in 1993. The programs and funding are managed by the office of the Assistance Coordinator for Europe and Eurasia at the State Department. The economic and democratic transitions supported by these programs are progressing in several of the formerly Soviet countries.

Administration Action

The 2006 Budget request for FSA includes a reduction of almost 50 percent in the amount of assistance to Russia and 25 percent reductions to both Armenia and Georgia from the 2005 request. These countries have made considerable progress toward the goals of the program.

Russia is an upper middle income country, running a federal budget surplus and experiencing increasing real disposable income and decreasing inflation. Russia also has the economic stature to be a member of the G-8. The U.S. will continue to support $48 million for programs in Russia focused on democracy and civil society, health, and social sector reform programs. Armenia and Georgia are both eligible for funding by the Millennium Challenge Account (MCA). The MCA is a multi-billion dollar innovative program that allows countries with good governance and sound economic policies to target and redirect aid efforts to reduce poverty and create sustained economic growth. MCA was planned for countries which graduated from traditional development assistances. As MCA assistance compacts are agreed to with these countries a gradual phase out of traditional aid was expected.

Department Transportation: Discretionary Proposal
Federal Aviation Administration – Facilities and Equipment

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	2,525	2,448	–77

Background

The Federal Aviation Administration's (FAA) Facilities and Equipment (F&E) program was established by the Federal Aviation Act in 1958. The purpose of the program is to develop and acquire products and services that enable the FAA to enhance the safety, capacity and efficiency of the national airspace system.

A recent Department of Transportation (DOT) Inspector General Report states that "we have consistently found a lack of basic contract administration" in the F&E program, which FAA has "problems with cost growth, schedule slips, and performance shortfalls." The PART review of this program, which received a score of "Adequate," indicated that information technology modernization projects consistently experience large cost overruns and project benefits were often unclear.

Administration Action

The 2006 Budget proposes $2,448 million for the F&E program. FAA's grant program is reduced in order to finance growth in FAA's salary and expense program, including hiring 595 air traffic controllers and over 90 safety inspectors. Within the requested level, the following are requested: $210 million to improving airspace safety, $220 million for priority facility improvements, and $1.5 billion to increase airspace capacity. This funding level continues to fund FAA's top safety and capacity priorities including:

- $100 million for Wide Area Augmentation System -- a high precision navigational technology;
- $123 million for the first phase of Terminal Automation -- replacing existing infrastructure to enhance operations at terminal facilities; and
- $345 million to modernize the En Route Automation system – to improve automated flight processing capabilities thereby increasing air space capacity.

Over the past year the coordinated efforts of DOT and FAA's Air Traffic Organization have resulted in greater management oversight of FAA's information technology modernization projects and a decision-making and review process that has focused on cost benefit analysis prior to project approval.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	3,497	3,000	–497

Background

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

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

Administration Action

The 2006 Budget proposes a funding level of $3.0 billion for AIP – a $497 million reduction from 2005. This level of funding is robust by historical standards – AIP was funded at just $1.9 billion as recently as 2000. FAA’s grant program is reduced in order to finance growth in FAA’s salary and expenses program, including hiring 595 air traffic controllers and over 90 safety inspectors. Under the proposed funding level, sufficient resources are provided to fund construction of all planned new runways, which are the single-most effective way to add capacity. In the next five years, seven major new runway projects will be built accommodating 900,000 more operations a year.

In addition, airports can meet infrastructure needs through revenues generated from passenger facility charges. Many airports do not take full advantage of this legal authority to charge user fees which FAA estimates could produce an additional $350 million annually for airport development needs.

Department Transportation: Discretionary Proposal
Federal Railroad Administration – Next Generation High Speed Rail

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	19	---	–19

Background

The Next Generation High Speed Rail program, which was established in 1991, funds research, development, and technology demonstration programs that support future high-speed rail infrastructure.

The National Academy of Science's Transportation Research Board has questioned the focus of the program's research, development, and demonstration efforts. The Administration recommends that passenger high speed rail technology development be pursued through the Federal Railroad Administration's existing Research and Development Program and compete for resources with other rail research areas.

Administration Action

The 2006 Budget proposes to terminate funding for the Next Generation High Speed Rail program.

The Administration believes research should be consolidated within the Federal Railroad Administration's existing research and development program and compete for resources based on project merit. The Administration is also concerned that the research funded under this program has been extensively designated for specific projects, thereby undermining the selection of projects based on merit.

Department of the Treasury: Discretionary Proposal
Internal Revenue Service – Taxpayer Service

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	3,606	3,567	–39

Background

The taxpayer service program provides the public with assistance on tax law and account issues and processes tax returns. The program makes tax filing easier and more accurate. In 2004, the Internal Revenue Service (IRS) processed more than 130 million individual tax returns, answered 69 million calls, served 7.7 million taxpayers in walk-in offices, and had 739 million downloads from its web site. Recent program assessments have found significant improvements in taxpayer service over the past few years. IRS is answering a higher percentage of calls and electronic filing is growing steadily. IRS has used new technology – particularly the internet and electronic filing – to improve service and productivity. These assessments also identified an opportunity to shift towards greater use of telephone and internet options rather than walk-in service.

Administration Action

The Budget includes $134 million in program reductions to taxpayer service programs made possible by ongoing productivity improvements. ($96 million of these savings will be reinvested in the IRS to meet increased costs of salaries, rents, and administration.) These program reductions are possible as a result of an increasingly efficient IRS taxpayer service program.

The IRS expects management improvements, such as increased use of pay-for-performance incentives, to continue to improve productivity. In addition, electronic filing growth will continue because of IRS program improvements such as the Modernized E-File technology program. Increases in electronic filing are also expected with enactment of the Administration's legislative proposals to extend the April 15 filing date to April 30 for electronically filed tax returns and to provide IRS additional authority to require electronic filing. Further savings will be achieved as a result of two recent competitions between IRS staff and private contractors in which IRS employees were able to find better, cheaper ways to run tax form distribution and technology support services. Finally, savings will be achieved by decreasing dependence on walk-in taxpayer service centers and increasing reliance on more efficient telephone and internet service options.

Environmental Protection Agency: Discretionary Proposal
Alaska Native Villages

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	45	15	–30

Background

The Alaska Native Villages program provides grants to the State of Alaska for the development and construction of public water systems and wastewater systems in rural and Native villages. Many rural and Native Alaska communities lack basic sanitation infrastructure – specifically, flush toilets and running water. In these communities rudimentary sewage collection and disposal poses a threat to the health and environment of villagers. The Environmental Protection Agency (EPA) has provided $323 million in funding for this program over the last 11 years.

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

Administration Action

The Budget provides $15 million for the Alaska Native Villages program, a $30 million reduction from 2005. The Administration also recommends that EPA develop regulations that improve accountability and address the program's systemic financial and programmatic deficiencies. The funding reduction will be reconsidered once the program can demonstrate that funding is likely to effectively and efficiently help villagers. The Administration will continue to work to address the remaining unserved villages.

Environmental Protection Agency: Discretionary Proposal
Clean Water State Revolving Fund

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	1,091	730	–361

Background

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

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

Administration Action

The Budget funds the Clean Water SRF at $730 million. In 2004 and 2005, the Congress provided significantly more for the program than requested (+$492 million and +$291 million, respectively). Because of these increases, the program needs less funding than in previous years to meet the Administration's Federal capitalization target of $6.8 billion and long-term annual revolving level target of $3.4 billion.

National Aeronautics and Space Administration: Discretionary Proposal
Aeronautics: Vehicle Systems Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	569	459	–110

Background

In existence since 1915, the National Aeronautics and Space Administration's (NASA) Vehicle Systems program conducts long-range research on aeronautics and develops and transfers to industry and other Government agencies technologies that create a safer, more secure, environmentally friendly and efficient air transportation system. The program also conducts research to support Earth and space science missions.

Some of NASA's aeronautics work focuses on the development of technologies that can be commercialized in the near-term. Such development should be funded by the private sector and are not consistent with the guidance provided by the Administration's R&D Investment Criteria. In addition, the National Research Council (NRC) recently reviewed the program and recommended that NASA reduce the number of projects in its research portfolio and focus on more high-risk, high-payoff aeronautics technologies. The NRC also recommended the disposal of underutilized assets and facilities. Over the years, the program has built up excess capacity.

Administration Action

The Budget reduces funding for program activities in which the government role is no longer justified and emphasizes higher risk NASA research programs where the private sector will not invest the necessary funds due to the risk of inadequate financial returns. In order to align the program's workforce/skill sets with NASA's priorities, NASA will reduce the number of civil servants, contractors, and facilities affiliated with the program. In addition, NASA will emphasize more extensive use of peer review.

NASA will use an aggressive strategy to improve the program by focusing the remaining funding on the highest priority areas of research that still require government involvement and that will continue to improve the air transportation system, consistent with recommendations of the National Research Council.

National Aeronautics and Space Administration: Discretionary Proposal
Jupiter Icy Moons Orbiter

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	402	280	–122

Background

The Jupiter Icy Moons Orbiter (JIMO), a multi-billion dollar space nuclear power demonstration mission to Jupiter's moons, was proposed as a new initiative in the February 2003 Budget. The heart of JIMO was to be a nuclear reactor that would power the spacecraft's instruments as well as its electric propulsion system. The reactor would provide JIMO with hundreds of times more power than is available on current interplanetary spacecraft. This would shorten travel times and enable the gathering of vast amounts of scientific data. JIMO's launch was tentatively planned for the middle of the next decade.

In January 2004, the President announced his vision for space exploration, a sustained and affordable human and robotic program to explore the solar system and beyond. Although space nuclear power may have an important role in the space exploration vision, the particular type of reactor and propulsion system proposed for JIMO was not necessarily optimal for supporting the human and robotic explorers that will carry out the vision. In addition, early cost estimates for JIMO suggested that the mission would be very costly (on the order of $10 billion or more) due to its high level of technical complexity.

Administration Action

The 2006 Budget indefinitely defers the JIMO mission due to concerns over costs, technical complexity, and the applicability of JIMO's technologies to the new vision for space exploration. The Budget provides continued funding for space nuclear power research and development, as well as for a future space nuclear demonstration mission that will establish a foundation for potential applications of nuclear technology for human and robotic exploration of the Solar System and beyond. The Budget does not rule out the possibility that a future science mission to Jupiter's moons could be selected through NASA's competitive science programs.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	5	---	–5

Background

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

Administration Action

The Administration proposes no new funding for grants for the NHPRC in order to fund higher priority areas within the National Archives and Records Administration (NARA), such as security of NARA's collections. The Commission itself would retain all other authorized functions.

U.S. Institute of Peace: Discretionary Proposal
Construction of New Building

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	99	---	–99

Background

The U.S. Institute of Peace's (USIP) mission is to promote the prevention, management, and peaceful resolution of international conflicts. USIP plans to construct a new headquarters building which is to serve as a national center for research, education, training, and policy and program development on issues of international conflict prevention, management, and resolution. The two-and-a-half-acre site for the building is located at Constitution Avenue and 23rd Street NW in Washington, D.C. The land was made available to the Institute by act of Congress in 1996 and the U.S. Navy. The original intention was to fund the construction of the building from private support.

Administration Action

The 2005 Consolidated Appropriations Act included $100 million for the construction of a permanent headquarters facility for USIP. The 2006 Budget does not include additional funding for this program, as this was intended to be a one-time appropriation. Between the 2005 appropriation and private contributions, there will be sufficient funds available to complete this project on schedule. USIP has raised $3.2 million thus far from the private sector. These funds supported initial planning for the project.

SPENDING REFORM PROPOSALS

Summary of Discretionary Reform Proposals

(Budget authority in millions)

Reform Proposal	2005 Enacted	2006 Request	Delta: 2006 Request less 2005 Enacted
Department of Agriculture			
Enhancing Forest Service Efficiency and Results	1,381	1,651	271
Formula and Competitive Research Grants	386	425	39
Rural Telephone Bank	3	2	-1
Department of Commerce			
Economic and Community Development Programs	5,314	3,710	-1,604
Pacific Coastal Salmon Recovery Fund	88	90	2
Department of Education			
High School Initiative	---	1,490	1,490
Department of Homeland Security			
State and Local Homeland Security Grants	3,985	3,565	-420
Transportation Security Administration: Recover Aviation Security Screening Costs Through Fees	-2,580	-4,139	-1,559
Department of Housing and Urban Development			
Flexible Voucher Program	14,766	15,845	1,079
Department of Labor			
Job Training Reform: Consolidate Grants Program	4,059	3,913	-146
Department of Transportation			
Amtrak	1,207	360	-847
Army Corps of Engineers (Civil Works)			
Performance Guidelines for Funding Construction Projects	1,782	1,637	-145
National Science Foundation and Coast Guard			
Polar Icebreakers	58	58	---
U.S. Agency for International Development and Department of Agriculture			
International Food Aid	1,558	1,541	-17
Government-wide Lines of Business			
Lines of Business Initiatives	-NA-	-NA-	-NA-
SmartBUY	-NA-	-NA-	-NA-
TOTAL, Savings from Reform Proposals			**-1,858**

Department of Agriculture: Discretionary Proposal
Enhancing Forest Service Efficiency and Results

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	1,381	1,651*	271

*Reflects funding in the National Forest System account including the proposed transfer of $281 million in 2006 for hazardous fuels management that was previously funded through the Wildland Fire Management account.

Background

Through competitive sourcing studies and administrative reforms, the Forest Service is consolidating upwards of 1,400 information technology, financial management, and human resources jobs, which will save taxpayers more than $115 million over three years. Even with these improvements, however, inefficiencies increase program delivery costs and are impeding Forest Service performance. The Forest Service is also experiencing a maintenance backlog, and the proposed establishment of a working capital fund for facilities and expanded real property disposal authority will enable the Forest Service to improve its response to this backlog.

Administration Action

The Administration proposes additional reforms to enhance Forest Service efforts to improve its accountability and focus on measurable results in the management of our national forests. These reforms will:

- Significantly reduce overhead, business management, and other indirect costs to improve efficiency and program delivery, and

- Establish a working capital fund for facilities and allow the sale of unneeded facilities, with receipts being devoted to maintenance or replacement of needed existing facilities.

Department of Agriculture: Discretionary Proposal
Formula and Competitive Research Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority...........................	386	425	39

Background

The Federal Government has provided financial assistance through formula grants to institutions of higher education, including land-grant universities for many years. Funding for these grants are not allocated to eligible institutions based on performance or merit based criteria, but instead generally are based on each State's farm and rural populations.

Administration Action

This proposal would reallocate $106 million in resources to competitive grants from three existing formula grant programs (Hatch, McIntire-Stennis and Animal Health and Disease) that are restricted to only certain, generally land grant, institutions, as part of a phase out of formula funds for these programs. It would establish a new competitive grant program of $75 million for research that would be allocated to these institutions, and increase funding for the National Research Initiative (NRI) from $180 million to $250 million. All research institutions, including the land grant universities, would be able to compete for NRI funds, including the additional $70 million requested in 2006. Competitive research grants that can be targeted to high priority national needs represent the most flexible and effective use of Federal dollars. The 2006 Budget will also propose to eliminate the current artificial limitation on indirect costs, in order to put USDA on an even level with other Federal programs. This limitation discourages researchers from applying to the NRI program.

Department of Agriculture: Discretionary Proposal
Rural Telephone Bank

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority	3	2	–1
Loan Level	175	---	–175

Background

The Rural Telephone Bank (RTB) was designed to provide a commercial source of financing once it was privatized after 1985. When the RTB was created in 1972 there were limited options for rural telecommunications providers to obtain financing outside the government. However, a recent analysis estimated that, of the telecommunications capital needs each year, 50 percent was provided from internal funding, 10 percent from the Rural Utilities Service, seven percent from the RTB, and the remainder (33 percent) from other sources including the Rural Telephone Finance Cooperative (private) and the Universal Service Fund (government). In addition, funding for this program has significantly exceeded demand for financing of rural telecommunications investments. Currently, there is over $1.3 billion in undisbursed loans available.

Administration Action

The Administration proposes to establish the process and terms to implement a dissolution of the RTB. Dissolution is more appropriate than privatization as the demand for loans has been fulfilled through other sources, such as private banks. Dissolution will result in the government being repaid for all outstanding stock and the borrowers, who are the other stockholders, receiving a cash payout for their outstanding stock. This will prevent the situation of a privatized RTB that needs continuing federal assistance to remain in operation. In addition, to maintain the same level of support for rural telecommunications, the Rural Utilities Service's telecommunications loan program has been increased by $175 million.

Department of Commerce: Discretionary Proposal
Economic and Community Development Programs

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority*..........................	5,314	3,710	–1,604

*Consolidated programs only. Program level for the broader set of development programs (including budget authority, loan volume and tax incentives) is approximately $16.2 billion for 2005 and $15.5 billion under the Administration's proposal for 2006.

Background

Multiple Federal agencies currently provide economic and community development assistance through a variety of programs, including grants, loans and tax incentives. A cross-cutting PART review of these programs showed that many had unclear objectives, did not coordinate effectively, and were unable to demonstrate improvement in economic and community well-being. Specifically, $5.3 billion provided through 18 different grant programs were found to be duplicative or ineffective (see attached list of programs). Although the intent of these programs is to help communities in distress, many relatively well-off communities continue to receive funding. For example, while the Community Development Block Grant (CDBG) program at Department of Housing and Urban Development was created to serve distressed communities, 38 percent of funds go to communities and States with poverty rates lower than the national average.

Administration Action

The 2006 Budget proposes consolidating many of the existing Federal community and economic development programs into a new $3.71 billion program within the Department of Commerce, the "Strengthening America's Communities Grant Program." This proposal will make better use of taxpayer dollars by eliminating duplication, simplifying access to the Federal system and improving upon the strengths of the existing programs. The program would focus resources on supporting economic growth and opportunity such as job creation, private sector investment, homeownership, and commercial development and would include rigorous accountability measures and incentives. The proposal would tighten eligibility criteria to target funding to those communities with higher levels of poverty and job loss, meaning that those eligible communities may receive increases in funding relative to their 2005 CDBG levels. In exchange for flexibility in the use of funds and reduced administrative burdens, the program would set strong accountability standards and make continued funding contingent on communities' progress towards meeting program goals. In addition, the program would provide a bonus fund for communities that demonstrate they are ready for development (e.g., through improvements in schools, reduced regulatory barriers and reductions in crime). The Commerce Department will also administer the Administration's related Opportunity Zone program, which is aimed to assist communities in transition to 21st Century economies.

Programs Consolidated into the Strengthening America's Communities Grant Program

Department of Agriculture
Rural Business Enterprise Grants
Rural Business Opportunity Grants
Economic Impact Grants
Rural Empowerment Zones (EZ)/ Enterprise Communities (EC)

Department of Commerce
Economic Development Assistance Programs

Department of Health and Human Services
Community Services Block Grant Program
Community and Economic Development
Rural Community Facilities

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

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

Department of Commerce: Discretionary Proposal
Pacific Coastal Salmon Recovery Fund

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	88	90	2

Background

Currently, the Department of Commerce issues non-competitive grants to States and Tribes in the Pacific Northwest for salmon recovery and enhancement activities through the Pacific Coastal Salmon Recovery Fund (PCSRF). A significant portion of the funds are spent on lower priority uses that do not target threatened, endangered, or otherwise sensitive salmon stocks.

Amendments to the original authorization for this fund removed a 25 percent State matching requirement. While most States still provide matching contributions at or above this level, others contribute as little as 10 percent.

Administration Action

The Budget proposes to better allocate funds from the PCSRF account toward high priority uses according to guidelines developed by the Department of Commerce. Grants would be issued to States and Tribes in the Pacific Northwest for projects that address the recovery needs of threatened, endangered, or otherwise sensitive salmon stocks. This proposal directly addresses a recommendation from the 2004 PART that the PCSRF should target funding based on salmon recovery needs.

The Budget also proposes to require a State or local contribution of at least 25 percent of total costs. While some States already provide more funding than would be required, others are not providing significant matching contributions.

Department of Education: Discretionary Proposal
High School Initiative

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	---	1,490	1,490

Background

Too many of the nation's high school students are failing to complete high school prepared for postsecondary education or employment. Nationally, of 100 ninth graders, only 68 will graduate from high school on time, and only 40 will directly enter college. The rates for minority students are even lower. While No Child Left Behind is beginning to show positive results for primary students, high school students have been left behind.

Part of this failure can be attributed to the design of, and lack of coordination among, current Federal high school programs. The Federal government currently invests in an array of Federal programs serving high school students that are narrow in focus and that support a particular education strategy such as vocational education, school restructuring, and partnerships with postsecondary institutions to prepare students for college. These programs lack strong accountability mechanisms, and despite many years (in some cases decades) of investment, these programs have failed to demonstrate positive results for high school participants. Furthermore, because the Federal government sets the annual spending levels for each of these programs, States and school districts do not have adequate flexibility and control to allocate the funds to activities they determine will best meet the needs of at-risk high school students

Administration Action

The President proposes to address these problems through a $1.5 billion high school initiative that includes:

- $1.24 billion for a new High School Intervention program to help States hold schools accountable for teaching all students and to support effective instructional strategies for those students who are not learning at grade level.

- $250 million for State assessments for high school students to ensure that high school diplomas are truly meaningful and to help schools determine which students are learning and which need help.

In essence, the initiative will bring the high standards and accountability of No Child Left Behind to secondary education. States, which would be required to test students in grades 9 through 11 and develop individualized plans for meeting each student's educational needs, will receive flexible funding under the High School Intervention program to design strategies for serving at-risk students. In return for this flexibility, States would be held accountable for improving student achievement and graduation rates.

The High School Intervention program will consolidate and replace seven narrow-purpose programs: Vocational Education State Grants, Vocational Education National Programs, Tech Prep, Upward Bound, Talent Search, GEAR UP, and Smaller Learning Communities. Activities supported by these programs would be allowable activities under the new program if they can lead to improved student achievement.

For further discussion of the programs proposed for termination, see "High School Terminations" elsewhere in this volume.

The Administration expects that States and localities would continue those projects supported under the existing programs if the projects are performing effectively and reaching students who need them most. A portion of the funding for the High School Intervention program will be used for randomized trials and evaluations to identify the most effective intervention strategies to enable school administrators to make better choices on what educational strategies to adopt. Federal grants would go to State educational agencies which would make competitive awards to local school districts for promising programs. During the initial years of the program, the Administration will honor its commitment to fund continuation awards for GEAR-UP, Talent Search, and Upward Bound for multi-year grants made prior to 2006.

The High School Initiative builds on the President's previously proposed high school reform efforts that are included in the 2006 Budget including Striving Readers, Math/Science Partnerships, Advanced Placement, and State Scholars. The President is requesting nearly $400 million for these activities to improve student achievement at the high school level.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	–2,580	–4,139	–1,559

Background

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

The Administration's decision to increase the aviation security fees will recover nearly the full cost of the screening and improve the overall management of aviation screening.

Administration Action

The Budget proposes to increase aviation security passenger fees and substantially decrease fee collection estimates for the air carrier security fee. In general, passenger security fees will rise by $3.00. On a typical one-way ticket, the passenger security fee will rise from $2.50 to $5.50. For passengers flying multiple legs on a one-way ticket, the fee will rise from a maximum of $5.00 under current law to a maximum of $8.00. The Budget assumes collections of the air carrier security fee levied on the airlines will total $350 million in 2006. This is a reduction from the Administration's collection assumption for 2005 of $750 million.

Fee collections will rise from $2.6 billion for 2005, to $4.1 billion for 2006. This level will help recover nearly all of the $4.4 billion cost associated with Federal airport screening. Cost recovery of airport screening by the users of the screening system is an important goal. Aligning costs to fees will encourage system managers to pay more attention to efficiency needs in tandem with an effective security program. It will help airports and the Federal Government guide security screening investment decisions. Reducing the support by general taxpayers of airport screening frees up homeland resources to be spent on needs that are more dispersed across the general population. Reductions in the expected air carrier security fee will both reduce cost burdens on air carriers and eliminate business uncertainty concerning future fee obligations.

Department of Homeland Security: Discretionary Proposal
State and Local Homeland Security Grants

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority...........................	3,985	3,565	–420

Background

The Department of Homeland Security (DHS) assists States and local homeland security efforts through a variety of grants, training, and other assistance programs. Despite the recommendations of the 9/11 Commission, the Heritage Foundation, the American Enterprise Institute, and the Government Accountability Office, the majority of the $14.5 billion in DHS responder grants awarded since 2001 have been awarded through formulas or criteria that do not target funds based on terrorism risks, vulnerabilities, and needs.

State Homeland Security Grants have been awarded through a formula carried over from crime-fighting grant programs that are ill-suited to the complexities of homeland security. The allocation of grants to urban areas has not been well understood by local jurisdictions, and has not accounted for capabilities and needs. Grants for fire departments have largely funded basic fire response needs in rural areas, but the Nation's larger departments that protect nearly half the U.S. population continue to face capability gaps, especially for responding to terrorism and other mass casualty events.

Both State Homeland Security Grants and Assistance to Firefighter Grants were reviewed under the PART and were found to have "results not demonstrated" due to lack of funding prioritization, weak performance measures, and inadequate monitoring of results.

Administration Proposal

The Administration proposes to address these shortcomings by restructuring the allocation process for State and regional grants. The Secretary of Homeland Security would allocate these funds based on: 1) assessments of risk and vulnerability; and 2) State and regional strategies, needs, and priorities. Assistance to Firefighter Grants would give greater priority to homeland security needs, including communications interoperability and explosives detection and response. The Administration will work with Congress on passing legislation consistent with these principles.

These proposals are consistent with recommendations of the 9/11 Commission, and would enhance the safety of American citizens by addressing critical homeland security needs and improving accountability for the how these funds are spent. Both the House and Senate have passed legislation to address some of these concerns, but differences over the allocation of funds have stalled final passage.

Department of Housing and Urban Development: Discretionary Proposal
Flexible Voucher Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	14,766	15,845	1,079

Background

The Housing Choice Voucher Program helps 2 million low-income families afford rental housing or to become homeowners. The program provides funding to 2,500 public housing agencies (PHAs) across the country.

The current program performs well (it received a "Moderately Effective" rating on the PART) because it costs less than other programs and allows recipients to shop for housing in the private market that best meets their needs. However, its benefits are reduced by a cumbersome regulatory structure.

The program also has experienced rapid cost increases without corresponding gains in benefits. Outlays for Section 8 increased by 13 percent in 2003 and by seven percent in 2004 without increasing the number of families assisted. The 2005 Consolidated Appropriations Act capped both the funding and the number of vouchers that can be issued in each locality but did not provide public housing authorities (PHAs) with corresponding flexibility to manage within the capped funding.

Administration Action

The Administration proposes to give PHAs more flexibility to set the level and terms of subsidies. PHAs will receive an allocation of dollars rather than an allocation for a fixed number of vouchers. This will make it easier to control costs. The flexibility to vary terms of assistance, such as amount of tenant contribution and length of stay, within a framework of performance standards, will allow PHAs to be innovative and tailor the program to local conditions. This reform will allow fixed dollars to help more families move to self-sufficiency and homeownership.

Department of Labor: Discretionary Proposal
Job Training Reform: Consolidated Grants Program

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority*	4,059	3,913	–146

*Represents discretionary funds for the proposed WIA consolidated State grants program. An additional $3.8 billion in 2005 and $3.7 billion in 2006 would support other DOL training and employment programs, including $250 million for community college grants, and programs for special targeted groups.

Background

The Workforce Investment Act (WIA) of 1998 authorizes formula grants to States and localities to provide job training and employment-related services to adults, dislocated workers, and disadvantaged youth. Services are provided primarily through the nationwide network of some 3,600 One-Stop Career Centers. WIA's authorization expired in 2003. Numerous Government Accountability Office (GAO) reports have urged reforms. Under current law, too few workers are trained, duplicative programs produce excessive overhead costs and administrative complexity, accountability is insufficient, Governors have too little control and flexibility, and programs do not train workers for jobs in high-growth industries.

Administration Action

The 2006 Budget proposes comprehensive reforms to WIA that would consolidate in a single State grant the funds for four major Federal training and employment programs (i.e., Dislocated Workers, Adults, Youth, and the Employment Service), and give Governors broad flexibility to include within the consolidated State grant additional related programs. Governors would have to meet strict performance standards and would be held accountable for results (employment, retention, and earnings of persons trained with Federal funds). The proposal also would create new Innovation Training Accounts for self-directed worker training. The proposal would reduce Federal red tape and put strict limits on overhead, allowing a modest reduction in new budget authority while ensuring that more of the funding goes to train workers. The reform builds on the Administration's previous proposals to reauthorize and reform WIA.

Department of Transportation: Discretionary Proposal
Amtrak

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	1,207	360	–847

Background

The National Railroad Passenger Corporation (Amtrak) was established in 1970 and was intended to be operated and managed as a for-profit corporation. Since its inception, the Administration estimates that this for-profit corporation has received approximately $29 billion in Federal subsidies.

Amtrak continues to be confronted with a set of intractable problems. According to the Department of Transportation Inspector General, "Unsustainably large operating losses, poor on-time performance, and increasing levels of deferred infrastructure, and fleet investment are a clarion call to the need for significant changes in Amtrak's strategy." Drawn from the recommendations of the non-partisan Amtrak Reform Council, the Administration proposed a reform plan in 2003 that is modeled after the Federal role in other transportation infrastructure programs. The Federal Government, partnering with States, would help invest in rail infrastructure but would no longer support rail operations. By allowing States to guide investment, projects that most benefit the public would be funded. Also, private companies could compete based on cost and other performance measures to contract with States to operate trains.

Administration Action

The Budget recommends no direct Federal subsidy for Amtrak. The nation's passenger rail system needs reform, and the Administration does not support continuing to provide funding for this flawed railroad. With no Federal subsidy, Amtrak may face a bankruptcy scenario; such a scenario would likely yield restructuring and efficiencies through the auspices of a bankruptcy court. However, to preserve commuter rail traffic, the Budget recommends $360 million to be managed by the Surface Transportation Board. This sum would be spent to reimburse Amtrak for the support to continue commuter rail operations over Amtrak facilities.

The Administration seeks to enact fundamental reforms as previously proposed by the Department of Transportation. Without such reforms in place – whether through legislation or other means -- the Administration will not propose funding for intercity passenger rail.

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

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	1,782	1,637	–145

Background

The Army Corps of Engineers civil construction program builds water resources projects within three main mission areas: commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration. These projects contribute to the Nation's safety and economic growth. Between 2000 and 2005, however, funding for the construction program increased by 30 percent, and much of this increase was directed to start and continue work on projects that yield a relatively low return to the Nation and/or are outside the Corps' main mission areas.

The Corps currently has a $50 billion backlog of authorized construction work, of which only $15 billion is for projects that meet current economic and environmental standards, are within the Corps main mission areas, or are otherwise consistent with Administration policy. This backlog has grown significantly in recent years and has resulted in some projects costing more than they need to, and most projects being finished many months – and sometimes years – later than they could be.

Administration Action

The Budget proposes seven performance guidelines for funding Corps construction projects in order to generate greater benefits to the Nation. Under the performance guidelines, construction projects will be funded based on their estimated economic and environmental return and funding will be redirected from the lowest priority projects to accelerate completion of the highest priority projects. The guidelines are based on sound financial management principles similar to those used by private industry to rank and select investments.

The total Budget request of $1,637 million for the Corps construction program marks the highest funding level ever proposed by the Administration for this program. Of this amount, $200 million will be available if Congress allocates construction funds in a manner consistent with the seven performance guidelines. The public will be better served through the use of these guidelines, which will ensure that projects with the highest public benefits are completed more quickly.

National Science Foundation/Coast Guard: Discretionary Proposal
Polar Icebreakers

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority:			
National Science Foundation.......	10	58*	48
Coast Guard.................................	48	---	–48

*Does not include additional major ship maintenance that may be required in 2006.

Background

Since the 1960s, the Coast Guard has been responsible for maintaining and operating the polar icebreaking fleet, and the National Science Foundation (NSF) and other agencies have reimbursed the Coast Guard for its icebreaking services. This fleet currently consists of two heavy icebreakers, typically used in the Antarctic, and one research icebreaker, typically used in the Arctic. In recent years, the polar icebreaking fleet has been used almost exclusively to support the resupply of the Nation's Antarctic research stations and to perform research in the Arctic.

The Coast Guard Polar Icebreaking Program received a rating of "Results Not Demonstrated" (with a score of 33 out of 100) when assessed by the PART. The rating was due to poor alignment of the program with the user community and inadequate performance measures. In contrast, a PART assessment of NSF's Polar Tools, Facilities, and Logistics program found it to be "Effective." In addition, Department of Homeland Security priorities make it unlikely that the Coast Guard could provide funding in future years for refurbishment or replacement of the icebreakers, which in turn threatens the research programs that depend on their services.

Administration Action

The President's Budget proposes to transfer funding for the Nation's three polar icebreakers from the Coast Guard to NSF. NSF is the primary customer for the icebreakers, so the transfer will better align the funding with the beneficiaries of the services. While the Coast Guard will initially continue to operate and maintain the ships, NSF will have flexibility to pursue alternatives to current operations. The likely outcome will be continued services at a lower cost and services that are more directly tailored to the needs of the research community.

U.S. Agency for International Development and Department of Agriculture: Discretionary Proposal International Food Aid

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority:			
P.L. 480 Title II Food Aid	1,173	885*	–288
Int'l Disaster and Famine Assist...	385*	656	271

*Regular appropriations only, excludes $100 million supplemental for Caribbean Hurricanes.

Background

P.L. 480 Title II, the Administration's major international food aid program, is appropriated to the Department of Agriculture but managed by the U.S. Agency for International Development (USAID). It provides emergency and non-emergency (development) food aid to food-insecure countries.

In the 2004 Budget, OMB rated the program as adequate, noting that one of the major obstacles the program faces is legislative mandates that create high costs and other inefficiencies, especially costs for shipping food on U.S.-flagged ships. In addition, U.S. international food aid programs are required to use U.S. commodities, whose delivered cost has been estimated to be up to one-third higher on average than the equivalent products procured near food crisis areas.

Because U.S. food usually takes three months or more to buy and deliver, P.L. 480 Title II can take at least a month longer than a cash-based program to react to crises.

Administration Action

For 2006, the Administration proposes to reduce P.L. 480 Title II food aid by $300 million and increase USAID's International Disaster and Famine Assistance (IDFA) by an equivalent amount of cash for emergency food aid needs. These IDFA funds will be used in those instances where the rapid use of cash assistance is critical to saving lives.

Providing cash food aid enables the U.S. Government to purchase food locally with reduced transportation costs, allowing us to provide more food for the same amount of funding. IDFA already uses small amounts of cash to buy food. The proposal allows the U.S. to provide U.S.-grown food to needed areas but increases our ability to purchase locally-grown food to meet critical emergencies. Thus, with the same level of resources as last year, the U.S. can feed an additional one million people for six months, and in an acute situation, could conservatively save 50,000 lives during that six-month period.

Government-wide Lines of Business: Discretionary Proposal
Lines of Business Initiatives

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	NA	NA	NA

Background

As a means of reducing the number of duplicative information technology (IT) investments government-wide, improving service delivery and realizing efficiencies, OMB brought together appropriate agencies to analyze and develop broad-based approaches to promote inter-agency data sharing and cooperation in building common solutions, rather than maintaining separate investments. The Lines of Business initiative organized inter-agency taskforces in the areas of financial management (FM), human resources (HR) management, grants management, Federal Health Architecture and case management. In August 2004, OMB directed agencies interested in becoming a Shared Service Center (SSC)/Center of Excellence (COE) to submit business cases as part of the 2006 Budget process requesting funds necessary to scale, enhance operations, etc. to support cross-servicing activities in the areas of FM and HR. In September 2004, agencies submitted business cases requesting funds to become SSCs/COEs. OMB designed and implemented a structured process to review and assess those business cases. Based on the assessment results, OMB has identified four agencies that are eligible to enter into competitions to provide cross agency FM services on a government-wide basis and five agencies eligible to enter into competitions to provide cross-agency HR management services on a government-wide basis.

Administration Action

The 2006 Budget proposes to conditionally approve these SSC and COE agencies as candidates to compete for other agency business in hosting and managing their FM and HR management systems and operations. The 2006 Budget also proposes to begin aligning agency investments in these areas around service centers. Government-wide savings for the FM and HR Management Lines of Business are estimated at $5 billion through 2015. Savings are dependent upon full migration of agency HR and FM systems to those provided by the Shared Service Center/Center of Excellence.

Government-wide Lines of Business: Discretionary Proposal
SmartBUY

Funding Summary
(In millions of dollars)

	2005 Enacted	2006 Proposed	Change From 2005
Budget Authority............................	NA	NA	NA

Background

The Federal Government can become a smarter buyer of commercial software. Pursuant to Section 5112 of the Clinger-Cohen Act of 1996, OMB is responsible for improving the acquisition and use of information technology (IT) by the Federal Government and designating Executive agents for government-wide acquisitions of information technology. To assure that the Federal government is leveraging its immense buying power to achieve the maximum cost savings and best quality for commodity software, OMB created the SmartBUY initiative. SmartBUY is a Federal government-wide enterprise software licensing initiative to streamline the acquisition process and provide best priced, standards-compliant IT. General Services Administration (GSA) is designated the Executive Agent under Section 5112(e) of the Clinger-Cohen Act for the SmartBUY interagency initiative, and leads the interagency team in negotiating government-wide enterprise licenses for software. Since OMB announced the SmartBUY program in June 2003, the program has completed agreements with four software vendors (ESRI, Manugistics Group, Novell, WinZip).

Administration Action

The 2006 Budget proposes to further the progress of the SmartBUY initiative by directing agencies to postpone all further purchase requirements for a category of software once GSA has notified the agencies of its intention to award a SmartBUY contract. This is a continuance of a February 2004 memorandum to all Senior Procurement Officers and Chief Information Officers from OMB's Administrator of the Office of E-Government and IT and in conjunction with OMB's Associate Administrator of the Office of Procurement Policy. Further implementation of this initiative will occur as agencies renew contractual arrangements with software vendors under arrangements negotiated by the SmartBUY program. OMB has established a formal waiver process for agencies that have compelling procurement needs. This process ensures compliance with SmartBUY and promotes negotiating leverage with software vendors.

TRANSFORMATION AND RESTRUCTURING,

DEPARTMENT OF DEFENSE

Department of Defense Transformation and Restructuring

(In millons of dollars)

	2006	2007	2008	2009	2010	2011	2006-2011
Savings from Transformational Initiatives							
Aircraft Carrier Retirement	89	-157	-288	-276	-304	-306	-1,244
Management Headquarters Services	-100	-100	-100	-100	-100	-100	-600
Army Business Proces Reengineering Initiative	-1,500	-1,500	-1,500	---	---	---	-4,500
DOD Contractor Support	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-12,000
Total Transformation Savings	**-3,511**	**-3,757**	**-3,888**	**-2,376**	**-2,404**	**-2,406**	**-18,344**
Savings from Restructuring							
V-22 Aircraft	-275	-504	-426	-88	22	19	-1,253
Expeditionary Fighting Vehicle	-157	14	-191	-475	-611	-112	-1,532
Missile Defense program	-1,000	-800	-800	-800	-800	-800	-5,000
F/A-22 Aircraft	---	-2	-11	-3,919	-3,711	-2,830	-10,474
Wind Corrected Munitions Dispenser	-47	-64	-60	-72	-87	-74	-404
Joint Common Missile Program	-271	-210	-350	-455	-518	-569	-2,373
Virginia Class Submarine	64	-300	-482	-2,078	-1,483	-995	-5,272
(DD(X)) Destroyer	---	115	79	-1,728	-1,240	196	-2,578
Marine Amphibious Ship (LPD-17)	140	285	-1,200	-52	-126	---	-953
C-130J Airlift Aircraft	-26	-431	-753	-1,216	-1,307	-1,264	-4,997
NATO Alliance Ground Surveillance program	-4	-43	-77	-120	-119	-113	-476

Department of Defense Transformation and Restructuring

(In millons of dollars)

	2006	2007	2008	2009	2010	2011	2006-2011
Savings from Restructuring							
E-10A Intelligence/Surveillance Aircraft	-300	-300	---	---	---	---	-600
Joint Unmanned Combat Air Systems (JUCAS)............	-395	20	-488	-203	-46	41	-1,071
Army Future Combat Systems......................................	-821	-673	-1,656	-1,005	-1,747	-3,076	-8,978
Total Restructuring Savings..................................	**-3,092**	**-2,893**	**-6,415**	**-12,210**	**-11,773**	**-9,576**	**-45,960**
Total Savings...	**-6,603**	**-6,650**	**-10,304**	**-14,587**	**-14,177**	**-11,982**	**-64,304**

Department of Defense
Transformation and Restructuring
Aircraft Carrier

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	291	219	247	288	276	304	306	1,641
Proposed Savings	-232	89	-157	-288	-276	-304	-306	-1,244

Proposal Description

The proposal would result in the early retirement of an aircraft carrier in 2005, reducing the fleet of carriers from 12 to 11.

Proposal Impact

This retirement is being carried out in large part due to the new Fleet Response Plan which is driving innovation and improvements in manning, maintenance and training. The Fleet Response Plan provides higher levels of readiness for the fleet which allows it to surge five or six carrier strike groups within 30 days of notice, and to send follow-on forces for a total of seven carrier groups within 90 days. Prior to the Fleet Response Plan, the Navy routinely only had three carriers deployed at one time. DOD believes that these higher readiness levels allow the Navy to respond successfully to the needs of the Nation in both peacetime and in times of crisis while we use the savings to transform the force to meet future threats. The success of the Fleet Response Plan has been built upon the higher levels of readiness the Administration and Congress made possible by providing robust funding to the military over the last four years.

The estimate assumes substantial savings in 2005 due to eliminating major maintenance work scheduled to begin this year.

Department of Defense
Transformation and Restructuring
Management Headquarters Services

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	2,832	2,894	2,970	3,327	3,627	3,723	3.820	20,631
Proposed Savings	---	-100	-100	-100	-100	-100	-100	-600

Proposal Description

Management headquarters services are used throughout DOD to provide a variety of administrative support such as data processing, printing and reproduction, and travel. DOD is currently implementing several initiatives to modernize and improve the efficiency of its management processes.

Proposal Impact

The impact of this proposal will be to continue the level of support services to our military forces at a greatly reduced cost through efficiencies. Management headquarters supports the armed forces and defense agencies through a variety of ways: development of policy and guidance, long-range planning, programming and Budgeting, performance reviews and evaluations, and distribution of resources.

Transforming how the Department of Defense conducts business is just as critical as transforming U.S. military capabilities. Reflecting this, the Department is preparing an ambitious plan to overhaul its management processes and systems. This will include streamlining some DOD processes and using its workforce more efficiently. The 2006 Budget supports the implementation of these efforts. Reductions of funding for management headquarters activities for the Army, Navy, Air Force, Office of the Secretary of Defense, and the Joint Staff are possible because of the cost savings that will be realized through these initiatives.

Department of Defense
Transformation and Restructuring
Army Business Process Reengineering Initiative

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	26,075	27,473	28,380	28,734	NA	NA	NA	84,587
Proposed Savings	---	-1,500	-1,500	-1,500	---	---	---	-4,500

Proposal Description

The Army plans to reengineer its business practices, which will result in savings from 2006 to 2008. Starting in 2009, these savings will be used to fund the Army's combat unit reorganization known as "Modularity," which explains why the table above shows no net savings after 2008.

The Army is aggressively reviewing its business processes for providing support to combat troops, maintaining its facilities and equipment and activities related to military readiness. It has determined that it can save $1.5 billion annually over 2006 – 2011. This two percent reduction to the Army's total 2006 budget request will provide operation and maintenance services to Army forces at lower cost.

Proposal Impact

In the spring of 2005, the Secretary of Defense will review the "modularity" plan to enhance the Army's combat power. The business process review will help develop innovative ways for the Army to use its personnel and provide support to its forces more effectively and will be an integral part of the Army's transformation plan. The results of this review will provide effective services to Army forces at lower cost and complement the Army's goal of transforming its force structure. This proposal is also consistent with DOD's goal of realigning military personnel out of support positions and into positions that cannot be performed by civilians, thus increasing the Department's combat capabilities.

Department of Defense
Transformation and Restructuring
Contractor Services

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	NA	43,213	45,500	NA	NA	NA	NA	88,600
Proposed Savings	---	-2,000	-2,000	-2,000	-2,000	-2,000	-2,000	-12,000

Proposal Description

DOD relies on contractor services to gain private sector efficiencies, reduce the reliance on military personnel for non-military tasks, and provide support to the Department's major functions within the DOD, such as logistics, human resources, installation support, and information technology.

DOD is currently studying the support that military services receive from contractors and anticipates that greater rationalization of such use can provide savings. Starting in 2006, the Department has determined that its contractor support can be reduced by $2 billion per year, from a base of roughly $40 billion per year (a five-percent reduction). Support contracts are a subset of all the goods and services that DOD purchases from contractors. The support contract savings amount to less than one percent of total that DOD spends on contracts (about $230 billion per year). The initial DOD savings assessment reduces contractor support to each of the military services and agencies on a pro-rata basis.

Proposal Impact

The impact of this proposal will be to continue the level of support services to our military forces at a reduced cost. The military services will evaluate which services are needed and which ones are less important. Greater rationalization of the use of contractor services will allow the Department to focus resources where they can best contribute to our national security.

Department of Defense
Transformation and Restructuring
V-22 Production

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	1,698	2,055	2,866	3,102	3,166	3,223	3,231	17,643
Proposed Savings	---	-275	-504	-426	-88	22	19	-1,253

Proposal Description

The V-22 is a tilt-wing aircraft that is intended to improve Marine Corps expeditionary capabilities and expand the operational flexibility of special forces. This proposal would slow the ramp-up in numbers of aircraft procured each year from 2006 through 2009. Originally, DOD planned to buy 15, 24, 32, and 38 V-22s in these fiscal years for both the Marine Corps and Air Force. The slower ramp-up in production will result in 11, 16, 24, and 36 being produced in the same years. Beginning in 2010, the program will return to its planned production rate of 40 or more aircraft per year. This slower ramp-up in production will allow V-22 testing to be completed before reaching peak production and provide more time for integration into fleet operations.

Proposal Impact

The changed production profile should reduce the acquisition risk early in the program while testing continues and allow more time for operational experience to accumulate with this new type of aircraft. The previous production plan used a rapid ramp-up in production numbers to achieve cost efficiencies. However, any changes required from early testing experience with this aircraft could require potentially costly modifications of relatively large numbers of V-22s, that would eliminate any early production savings. Under current plans, the Marine Corps and Air Force will continue to buy a planned total of 458 V-22s, unaffected by the slower production ramp-up. Marine Corps readiness will not be affected and existing helicopter assets will allow them to respond effectively to required deployments.

Department of Defense
Transformation and Restructuring
Expeditionary Fighting Vehicle

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	305	431	438	635	984	1,292	1,292	5,387
Proposed Savings	---	-157	14	-191	-475	-611	-112	-1,532

Proposal Description

The Expeditionary Fighting Vehicle (EFV) replaces the Assault Amphibious Vehicle. It will be a self deploying, high water-speed, armored amphibious vehicle, capable of transporting Marines from ships located beyond the horizon to shore. The EFV will allow the Navy and Marine Corps to coordinate ship-to-shore operations, thus providing a new capability in support of Expeditionary Maneuver Warfare. The EFV will carry 17 combat equipped Marines and a crew of three.

Proposal Impact

The next acquisition milestone for this program, originally scheduled for March 2005, has been delayed to complete testing. As a result of the need for more testing the production and fielding of the EFV has been delayed until 2011—saving $1.5 billion. Although fewer EFVs will be produced in the short-term, the total planned number remains unchanged. The existing Marine Corps amphibious vehicles will be adequate to support the delayed fielding of EFVs with no impact on overall U.S. capabilities. In addition, DoD's Quadrennial Review will assess new concepts such as "Sea Basing" which may impact how the Marine Corps fights in the future.

Department of Defense
Transformation and Restructuring
Missile Defense Agency

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	8,806	8,780	10,381	8,670	8,893	9,083	9,276	55,083
Proposed Savings	---	-1,000	-800	-800	-800	-800	-800	-5,000

Proposal Description

The Missile Defense Agency (MDA) is developing a multi-layered, global defensive system against ballistic missiles. The first increment of this capability was delivered in 2004 and provides a limited defense against long-range missiles from North Korea. However, the program still requires considerable testing to bring this capability to full maturity and higher reliability. This proposal reduces the MDA research and development program by a total of $5 billion over the next six years. The restructured program will reduce the emphasis on new technology and next generation systems, which have higher technical risk, and focus on near-term deployments and system testing.

Proposal Impact

MDA has adopted a very flexible, transformational acquisition strategy that allows for rapid adjustments to program plans based on ballistic missile threats, technology, and system maturity, among other factors. The Department continually reviews its missile defense needs and makes adjustments; fielding systems that are mature; slowing down those with high-risk; and redirecting resources as needed.

As MDA research and development progress, the agency will increasingly concentrate resources on technologies that can be successfully deployed. The proposed reductions will not affect the President's priority for fielding near-term defenses against long-range missiles from Asia and the Middle East. These early deployments are well underway and are providing an initial defensive capability. In addition, missile defenses against shorter-range theater missiles will continue to be deployed as planned (e.g., PAC-III and the Theater High Altitude Area Defense system). MDA will delay some next-generation missile defenses (e.g., the Ballistic Missile Defense Interceptors program) whose technical risk is high and which can be delayed without affecting our overall missile defense capability.

Department of Defense
Transformation and Restructuring
F/A-22 Fighter Aircraft

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	4,163	4,243	4,937	4,824	4,588	4,373	3,686	26,651
Proposed Savings	---	---	-2	-11	-3,919	-3,711	-2,830	-10,474

Proposal Description

The F/A-22 Air Force fighter aircraft was designed to meet the threat posed by advanced Soviet fighter aircraft. It employs advanced sensor systems, stealth, and other technologies to achieve a high degree of performance, but at high cost. Since the demise of the Soviet Union the threat that the F/A-22 was designed to meet has diminished considerably. Over the last decade the Air Force has steadily reduced the number of F/A-22s it planned to acquire because of increased program costs and the diminished threat. As part of transformation, DOD continually reviews its future requirements and rapidly adjusts to the more fluid demands of the 21st Century. This process may result in modifications to existing programs and reduced procurements to shift funding to higher-priority needs in the Global War on Terror, or to better meet different, rapidly-evolving threats.

Proposal Impact

The proposal maintains procurement of the F/A-22 fighter aircraft program until 2008. Procurement would stop after 2008, thereby reducing the planned F/A-22 force from 276 to 179 aircraft. However, the reduced force of F/A-22s, together with the stealthy Joint Strike Fighter, the new F/A-18E/F Navy fighter, and the existing Air Force F-15s, will be able to meet all DOD's air-to-air and air-to-ground attack requirements for the foreseeable future.

Department of Defense
Transformation and Restructuring
Wind Corrected Munitions Dispenser Extended Range

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	59	47	64	60	72	87	74	463
Proposed Savings	---	-47	-64	-60	-72	-87	-74	-404

Proposal Description

Wind Corrected Munitions Dispenser (WCMD) and Wind Corrected Munitions Dispenser Extended Range (WCMD-ER) are precision guided tail kits installed on conventional bombs to correct for directional errors caused by high winds, ballistic errors and adverse weather on weapons at medium and high altitudes. Procurement of the basic WCMD ended in 2005; all procurement funding in the following years is for the Extended Range version.

Proposal Impact

The Department has decided there is a decreasing requirement for this class of area weapon and that it is less important than higher priorities within the Air Force. The existing version of the WCMD has already been procured and is being integrated on current and future Air Force strike aircraft. The WCMD-ER was determined not to add significant value relative to cost.

Department of Defense
Transformation and Restructuring
Joint Common Missile

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	152	271	210	350	455	524	576	2,539
Proposed Savings	---	-271	-210	-350	-455	-518	-569	-2,373

Proposal Description

The Joint Common Missile (JCM) program involved the Army (lead), Navy and Marine Corps and an associated Cooperative Development Program with the United Kingdom. A multi-use, single missile to replace five U.S. and three coalition missiles, the JCM was intended as the primary missile for the Apache, Cobra, Super Hornet and Seahawk. The program has experienced excessive cost growth with significant technical challenges and is being terminated due to higher priorities.

Proposal Impact

This proposal will eliminate the "single missile" objective and continue reliance on the TOW missile, Hellfire family of missiles, and various joint and coalition missiles. This system was originally scheduled for fielding in 2009. There would be no likely impact to military operations since the Department of Defense currently has a large overall missile inventory and sufficient industrial base capacity.

Department of Defense
Transformation and Restructuring
Virginia Class Submarines

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	2,453	2,337	2,714	3,011	5,667	5,263	4,785	26,320
Proposed Savings	---	64	-300	-482	-2,078	-1,483	-995	-5,272

Proposal Description

The Navy procured the first Virginia class attack submarine in 1998, and since then, it has generally acquired one submarine per year. The Department had planned to increase procurement to two attack submarines per year beginning in 2009. The Budget reduces the procurement of submarines from two to one in 2009, 2010, and 2011. The Department's focus on transformation requires continuous review of their current priorities and programs, with a willingness to rapidly adjust plans to meet the challenges of the 21st Century.

Proposal Impact

The reduction in the planned procurement of the Virginia class submarines will not affect our security readiness. The Department will maintain procurement of one submarine per year, while beginning to explore additional undersea systems options. The Department is looking to what the next-generation system will be for undersea superiority and it will spend $600 million through 2011 in designing a future undersea system.

Department of Defense
Transformation and Restructuring
DD(X) Destroyers

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	306	716	2,453	2,736	4,271	3,870	1,990	16,432
Proposed Savings	---	---	115	79	-1,728	-1,240	196	-2,578

Proposal Description

The new DD(X) is the Navy's land-attack destroyer focused on providing fire-support for U.S. forces ashore, and employing a number of new technologies. Rather than seven DD(X)s, the Navy will procure five DD(X)s through 2011, when it will begin procurement of the CG(X) cruiser program. The Department's focus on transformation requires continuous review of their current priorities and programs, with a willingness to rapidly adjust plans to meet the challenges of the 21st Century. With an early introduction of the next generation cruiser, the Department has decided it needs less DD(X)s and the budget reflects that change.

Proposal Impact

The DD(X) destroyer is the technology precursor to the CG(X) cruiser, which will be used to replace retiring guided missile cruisers and to fulfill missile defense requirements. Over the past few years, the Department has developed different options for transitioning between the two programs as DD(X) technologies mature. The Department believes that procuring one DD(X) per year is the appropriate investment for the DD(X) program until the CG(X) is procured in 2011. In addition, the upcoming 2005 Quadrennial Defense Review will review the Navy's current fleet and determine the capabilities needed in the future, which could impact the number of DD(X)s bought and the appropriate transition to CG(X) cruisers.

Department of Defense
Transformation and Restructuring
LPD-17 Amphibious Transport Dock

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	967	1,205	1,299	1,306	52	126	---	4,955
Proposed Savings	---	140	285	-1,200	-52	-126	---	-953

Proposal Description

The LPD-17 Amphibious Transport Dock carries troops, vehicles, and equipment of a Marine expeditionary unit. The Navy is procuring the LPD-17 to replace older amphibious assault ships, and it will provide twice as much vehicle space and more helicopters and landing craft. The LPD-17 will operate with other amphibious assault ships, surface combatant ships, and an attack submarine, in expeditionary strike groups. The Budget completes the LPD-17 program in 2007, rather than 2008 as scheduled, reducing the planned production by one ship for a total of nine LPD-17s.

Proposal Impact

The early completion of the LPD-17 program will not affect our security readiness. The Navy has reduced the number of its expeditionary strike groups, resulting in a decreased need for additional LPD-17s. The Department wants to shift resources towards Seabasing, its evolving concept to stage, launch, and sustain land operations from ships. In addition, the 2005 Quadrennial Defense Review will review the Navy's current fleet size and determine the number and types of amphibious ships needed in the future.

Department of Defense
Transformation and Restructuring
C-130J Airlift Aircraft

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	1,228	1,218	1,076	1,027	1,319	1,403	1,376	7,419
Proposed Savings	---	-26	-431	-753	-1,216	1,307	-1,264	-4,997

Proposal Description

The C-130 Hercules aircraft is a medium-range, tactical airlift aircraft designed primarily for transporting troops and cargo. It first flew in 1954 and has been in continuous production ever since. The current C-130 fleet is comprised of nearly 700 aircraft in 12 different variants, but most are C-130 E and H models whose mission is to deliver combat equipment into hostile areas. In 2003 the Air Force agreed to buy 168 new C-130J aircraft to replace older C-130Es and Hs, and signed the first six-year multiyear contract for 42 aircraft for the Air Force and for 20 aircraft for the Marines. It is this contract that is proposed for termination in the 2006 Budget, before all 62 aircraft are procured.

Proposal Impact

One of the key tenets of transformation is the ability to evolve rapidly and adjust future planning to account for changes in the global environment. DOD's review of the C-130J and changes in its forecast airlift needs are a result of this dynamic process.

Although this proposal terminates production of the C-130J tactical airlift aircraft for the Air Force, it provides for twelve KC-130J refueling aircraft for the Marine Corps in 2006 to enable the Corps to modernize its tanker fleet. This termination will have no impact on the Air Force's tactical airlift capabilities since there are a large number of C-130s in the current inventory with many years of service life remaining. Together with KC-130Js bought in previous years the Marine Corps will have a total of 33 new KC-130J tanker aircraft which, with its older KC-130 models, will enable it to meet its refueling requirements. Terminating the C-130, which is a 1950s design, opens the way in the future for a new tactical airlifter specifically designed to meet the conditions imposed by 21st Century warfare.

Department of Defense
Transformation and Restructuring
NATO Alliance Ground Surveillance Program

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	30	29	84	130	176	181	185	785
Proposed Savings	---	-4	-43	-77	-120	-119	-113	-476

Proposal Description

The NATO Alliance Ground Surveillance (AGS) program is designed to provide surveillance of ground targets for NATO operations, using airborne radar systems. Currently, AGS consists of a manned aircraft portion and an Unmanned Aircraft Vehicle (UAV). The manned aircraft would be a modified Airbus, while the UAV would be a U.S. Global Hawk, both carrying advanced technology radars. The combined manned/unmanned aircraft system is designed to provide continuous, all-weather radar surveillance of a crisis or combat area. The program would be fully interoperable with U.S. surveillance systems and the primary radar technology would be provided by the U.S. The proposed restructuring of AGS is designed to take advantage of existing or planned airborne surveillance programs to meet NATO requirements in a more cost-effective manner. These alternatives will be examined over the coming year both in DOD's Quadrennial Review process and internally within the AGS program. Pending these reviews, the restructured AGS program assumes that existing NATO and U.S. Global Hawk aircraft can be adapted for the AGS mission, rather than producing completely new systems. The restructured program also allows additional time to explore alternative technologies.

Proposal Impact

As part of transformation, DOD needs to evolve rapidly and adjust its future planning to account for changes and new opportunities. Within the context of total alliance surveillance assets, there may be more cost-effective approaches to the current NATO AGS program that will provide similar capability at reduced costs, thus freeing funds for higher priority needs. These alternatives could use existing aircraft and UAVs to minimize new development costs, while still achieving program goals. The reduction in 2006 is small to ensure the program has adequate resources to explore fully different alternatives and allow time for coordination with international partners.

Department of Defense
Transformation and Restructuring
E-10A Command and Control Aircraft

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	419	696	683	578	497	967	824	4,245
Proposed Savings	---	-300	-300	---	---	---	---	-600

Proposal Description

This proposal recognizes that there is no urgent need for the E-10A command, control and surveillance aircraft and restructures and slows the development program, since the aircraft that currently perform the E-10A missions, such as the AWACS and JSTARS aircraft, are in good condition and will meet DOD's needs for several more years. This delay will also allow DOD time to explore cost-reduction opportunities to improve the E-10A's affordability.

Proposal Impact

There will be no adverse impacts on U.S. capabilities with the restructuring of the E-10A program. By slowing development the proposed restructure will allow DOD to determine if there are new and more transformational ways of meeting this requirement, for example, from space. It will also free funding for other, higher-priority needs.

Department of Defense
Transformation and Restructuring
Joint Unmanned Combat Air System Program

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	587	667	380	1,042	983	1,001	1,023	4,580
Proposed Savings	---	-395	20	-488	-203	-46	41	-1,071

Proposal Description

Joint Unmanned Combat Air System (J-UCAS) is a program to develop unmanned combat aircraft, unlike most current Unmanned Aerial Vehicles, which are used primarily for surveillance missions. The proposal significantly restructures the J-UCAS program, slowing development and moving management of the program from the Defense Advanced Research Projects Agency to a new joint program office in the Air Force with Navy representation. One of the key tenets of transformation is the ability to evolve rapidly and adjust future planning to account for changes in the global environment. DOD's review of the J-UCAS program and its decision to focus on near-term capabilities and deployments was a product of this on-going process. The restructure from a technology-focused program into a service-led program is designed to speed the deployment of this new capability.

Proposal Impact

The proposal will change the emphasis of the program, focusing it on the near-term development of air vehicles that can undertake high-risk missions such as the suppression of enemy air defenses in the early stages of a conflict. As such, DOD will have the opportunity to field vehicles capable of performing missions already identified for unmanned combat air vehicles earlier than would be otherwise possible. The savings from changing the technology scope and focusing on obtaining useful capability early in the program frees funding to be used for other high-priority efforts.

Department of Defense
Transformation and Restructuring
Future Combat Systems

Funding Summary
(In millions of dollars)

	2005	2006	2007	2008	2009	2010	2011	2006-11
Budget Authority.......	2,801	4,251	4,372	5,453	4,744	6,376	9,267	37,661
Proposed Savings	---	-821	-673	-1,656	-1,005	-1,747	-3,076	-8,978

Proposal Description

The Future Combat System (FCS) is the Army's major program to transform itself into a lighter, more agile, "smarter" combat force, capable of greater battlefield mobility and precision firepower. FCS consists of 18 different major systems, including unmanned aerial vehicles, unattended ground sensors, new rocket artillery, various robotic ground systems, and a new set of armored vehicles, with an advanced computer network linking all of them into a single operation. This year, the Army significantly restructured FCS to reduce technical risk and provide some of the 18 systems earlier than previously planned. Four of the 18 systems will be deployed with a special Evaluation Brigade in 2008. Following successful evaluation, production and fielding of these systems will begin for the rest of the Army's brigades. This process will be repeated for each successive system until all 18 are fully deployed. The first goals of this restructure are to provide improved networking capability and a better artillery system sooner than would otherwise be possible, with higher confidence and lower cost.

Proposal Impact

The new FCS capabilities will begin to be fielded in 2008, an acceleration of two years from earlier plans. A full brigade equipped with all 18 systems will be operational in 2014, a four year delay from the original program. This restructuring is intended to assure new technology is introduced, tested, and is operational before proceeding to the next level of effort. The plan will reduce the risk associated with deploying all 18 systems at once. The new acquisition strategy will save nearly $9 billion through 2011.

SAVINGS FROM MANDATORY SPENDING

REDUCTIONS AND REFORMS

MANDATORY PROGRAM REFORMS

Mandatory Program Reforms

(Outlays in billions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Programmatic Reforms:							
Agriculture:							
Commodity Credit Corporation:							
Market Loan Gains	-0.4	-0.5	-0.1	*	*	-1.1	-1.1
Tighten and Expand Payment Limits	-0.2	-0.2	-0.2	-0.2	-0.1	-0.8	-1.2
Reduce Crop Payments	-0.4	-0.6	-0.5	-0.4	-0.3	-2.1	-3.6
Sugar Marketing Assessment	*	*	*	*	*	-0.2	-0.4
Dairy Price Supports	-0.1	-0.1	*	*	*	-0.4	-0.6
Extend Dairy Income Payments	0.6	0.6	---	---	---	1.2	1.2
Crop Insurance Coverage Change	---	-0.1	-0.1	-0.1	-0.1	-0.6	-1.3
Limit Food Stamp Categorical Eligibility	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-1.1
Allow Food Stamp Agencies to Use New Hires National Directory	---	*	*	*	*	*	*
Education:							
Increase Maximum Pell Grant Award	0.1	0.5	0.9	1.3	1.7	4.6	15.0
Student Loan Reforms	-1.3	-2.5	-2.7	-2.7	-2.7	-11.3	-25.1
Energy:							
Power Marketing Administration Rate Reforms	*	-0.2	-0.4	-1.1	-1.4	-3.2	-12.4
Health and Human Services:							
Medicaid Payment Reform	---	-1.3	-1.4	-1.5	-1.6	-5.9	-15.2
Medicaid Prescription Drugs	-0.5	-0.7	-1.3	-1.4	-1.5	-5.4	-15.1
Appropriate Payments for Medical Services	-0.1	-0.4	-0.7	-0.8	-1.0	-3.1	-11.7
Medicaid Provider Taxes	-0.2	-0.5	-0.8	-0.8	-0.8	-3.2	-7.6
Medicaid Administration	---	-0.1	-0.2	-0.3	-0.5	-1.1	-6.0
Medicaid Asset Transfers	-0.1	-0.2	-0.3	-0.4	-0.5	-1.5	-4.5
Foster Care Administrative Payments	-0.1	-0.1	-0.1	-0.1	-0.1	-0.4	-0.8

* Less than $50 million.

Mandatory Program Reforms
(Outlays in billions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Housing and Urban Development:							
FHA Rehabilitation Grants and Below-Market Sales	-0.1	-0.1	-0.1	-0.1	-0.1	-0.5	-1.0
Interior:							
Southern Nevada Land Sales	-0.2	-0.4	-0.6	-0.6	-0.6	-2.6	-5.8
ANWR, Lease Bonuses	---	-1.2	*	-0.1	*	-1.3	-1.5
Pick-Sloan Project Cost Repayment	*	*	*	*	*	-0.2	-0.3
Eliminate Bureau of Land Management Range Improvements Fund	*	*	*	*	*	*	-0.1
Labor:							
Pension Benefit Guaranty Corporation Reform	-2.2	-3.7	-3.5	-3.2	-2.9	-15.5	-26.5
Unemployment Insurance Integrity	-0.3	-0.3	-0.4	-0.4	-0.4	-1.9	-4.4
Federal Employees' Compensation Act Reforms	*	*	*	*	*	-0.1	-0.2
Black Lung Trust Fund Debt Refinancing	---	---	---	---	---	---	---
Treasury:							
Continued Dumping and Subsidy Offset Act repeal	-1.6	-1.6	-1.6	-0.9	-0.9	-6.6	-11.0
Eliminate 10-year Statute-of-Limitations on Non-Tax Debt	*	*	*	*	*	*	-0.1
Federal Communications Commission:							
Extend Spectrum Auction Authority	---	---	1.1	-2.2	-3.2	-4.3	-5.1
Close Telecommunications Development Fund	*	*	*	*	*	*	*
Federal Deposit Insurance Corporation:							
Merge Bank Insurance Fund and Savings Association Insurance Fund	---	---	*	0.4	0.9	1.2	1.1
Social Security Administration:							
Supplemental Security Income Pre-Effectuation Reviews and Other Technical Adjustments	*	*	*	-0.1	-0.1	-0.2	-1.1
Total, Programmatic Reforms	-7.4	-14.1	-13.4	-16.0	-16.6	-66.8	-147.7

* Less than $50 million.

Department of Agriculture: Mandatory
Commodity Credit Corporation

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	16,414	13,149	10,077	7,645	6,780	54,065	151,643
Proposed changes							
Marketing Loan Gains...............	-432	-509	-106	-4	-2	-1,053	-1,054
Tighten Payment Limits...........	-200	-190	-175	-150	-130	-845	-1,200
5% Payment Reduction............	-383	-629	-468	-351	-309	-2,140	-3,642
Sugar Marketing Assessment....	-42	-43	-43	-43	-43	-213	-435
Dairy Price Supports.................	-130	-80	-50	-50	-50	-360	-610
Extend Dairy Income Payments	600	600	---	---	---	1,200	1,200
Total changes..............................	-587	-850	-842	-598	-533	-3,411	-5,741

Background

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

Marketing Loan Gains: Commodity loan programs allow producers of designated crops to receive a loan from the government at a commodity-specific loan rate per unit of production by pledging production as loan collateral. After harvest, a farmer may obtain a loan for all or part of the new commodity production. Commodity loans may be repaid in three ways: at the loan rate plus interest; by forfeiting the pledged crop to the CCC at loan maturity; or at an alternative loan repayment rate. When market prices are below the loan rate, farmers are allowed to repay the commodity loans at a lower loan repayment rate (local county price or the prevailing world market price for rice and upland cotton). Loan program benefits can also be taken directly as loan deficiency payments, calculated as the gap between the market price and the loan rate.

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

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

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

Dairy Price Support: Current dairy prices are well above the legally mandated support rate of $9.90 per hundredweight. The average price of milk used to make butter and powder in 2004 was $12.48. In 2005 this price is estimated to be in the range of $11.70 - $12.60. USDA has often continued to purchase nonfat dry milk even when prices have been above the support rate. If USDA does not lower the current nonfat dry milk (NDM) purchase price, CCC is expected to purchase 200 million pounds in 2005.

Extend Dairy Income Payments: In October, the President committed to "working with Congress to extend the Milk Income Loss Contract Program" (MILC) through fiscal year 2007. MILC provides payments to dairy producers to ensure a high price for the first 2.4 million pounds of production. The 2002 Farm Bill authorized the program though 2005.

Administration Proposal and Impact

The Budget includes a broad set of savings proposals. These proposals do not target any specific commodity or region, but instead are spread throughout the industry. The proposals will reduce subsidies more for larger, more financially secure farms, and will promote more efficient production decisions. By historical standards this is a reasonable proposal. Agriculture savings were included in each of the three omnibus budget savings bills of the past 15 years. This proposal reduces agricultural spending by an amount similar to the reduction in the 1993 bill and lower than amounts in other previous bills (such as $13 billion in 1990). The Administration understands the value of our farm assistance and believes this strikes a good balance between spending restraint and continuing to offer farmers a sound safety net.

Marketing Loan Gains: This proposal would pay commodity marketing loan gains on historical direct payment yields rather than on current production. This proposal would avoid the production-encouraging and trade-distorting impacts of the current program and minimize impediments to long-term trade agreements.

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

5 Percent Payment Reduction: The President's Budget proposes reducing all commodity and dairy payments to producers by five percent. Payments to farmers would be calculated using current law and then payments would be reduced by five percent.

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

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

Extend Dairy Income Payments: The Milk Income Loss Contract (MILC) program would be extended for two years. MILC payments would be made to eligible dairy operations on production up to 2.4 million pounds. The proposal would be subject to the same 5 percent across the board reduction and income payment limitations as for other commodity programs.

Department of Agriculture, Risk Management Agency: Mandatory Crop Insurance

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	3,640	3,768	3,938	4,100	4,225	19,671	41,919
Proposed change (change from current law)…………………..	---	-140	-140	-140	-140	-560	-1,260

Background

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

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

Administration Proposal and Impact

The 2006 Budget proposal strengthens the role of crop insurance in risk management by tying direct farm payments to the purchase of an adequate level of crop insurance. This change will ensure that all farmers growing the major commodity crops (e.g. wheat, corn, soybeans, and cotton) will have insurance coverage, ensuring that a farmer's revenue loss in a disaster will never be greater than 50 percent. Consequently, farmers will have more crop protection the next time disaster strikes, thereby reducing the need for ad-hoc disaster assistance.

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

Department of Agriculture: Mandatory
Food Stamp Program

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	35,837	35,797	35,674	35,295	36,207	178,809	375,638
Proposed change (change from current law)…………………..	-57	-113	-112	-111	-114	-507	-1,124

Background

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

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

Administration Proposal and Impact

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

Department of Agriculture: Mandatory
Food Stamp Program Administration

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	35,837	35,797	35,674	35,295	36,207	178,809	375,638
Proposed change (change from current law)…………………..	---	-2	-2	-2	-2	-8	-18

Background

The Food Stamp program alleviates hunger and improves nutrition by providing eligible, low-income households with a voucher in the form of an electronic debit card redeemable for food at retail stores. Eligibility is based on income, expenses, assets and non-financial factors such as citizenship or legal immigration status, and fulfillment of applicable work requirements. In 2003, an estimated 6.64 percent of food stamp benefits was issued in error, either as over or as under-payments. An estimated 5 percent, or about $1.1 billion, was issued to people who intentionally or inadvertently received benefits for which they were not eligible.

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

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

Administration Proposal and Impact

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

Department of Education: Mandatory
Federal Student Aid

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed changes							
Pay off Pell Shortfall (non-add BA only)...	4,301	---	---	---	---	4,301	4,301
Increase maximum Pell award....	101	509	915	1,321	1,734	4,580	14,959
Student loan reforms..................	-1,273	-2,510	-2,667	-2,658	-2,720	-11,269*	-25,066*

* Net of 2005 loan modification costs

Background

In 2005, the Federal Government will provide over $70 billion in new grants, loans, and work-study assistance to help students pay for postsecondary education, including $57 billion in student loans and $13 billion in Pell Grants. Federal student aid can be used to pay for postsecondary education expenses, including tuition, fees, room, and board.

The Department of Education administers two student loan programs with equal terms for students: a bank-based program where loan capital is provided by private lenders and guaranteed by the Federal Government (begun in 1965), and a direct lending program where the Federal Government provides the capital (begun in 1994). The Department also manages the Federal Perkins Loan program, where participating institutions make loans to students with Federal revolving funds. The PART found Perkins Loans to be duplicative of the larger direct and guaranteed student loan programs and not well targeted to the neediest students.

Although the Federal Government continues to provide significant levels of aid to about 10 million students each year, more funds are needed to increase the level of Pell Grant aid to low-income students. As found in the PART analyses, Pell Grants are well targeted to low-income families and help increase the college enrollment rates of historically underrepresented students.

The PART also found that the student loan programs are not market sensitive—fixed borrower interest rates do not account for market fluctuations and statutorily set subsidies prevent taxpayers from benefiting when market efficiencies lower lenders' operating costs. In particular, the statutorily set subsidy payments to banks and other student loan lenders, and payments made to guaranty agencies, do not account for changes in the industry, and are thus higher than necessary to ensure that all eligible students will receive loans.

Finally, the PART found that disproportionate amount of program benefits were provided to borrowers out of school versus those currently attending school. For instance, while borrowers out of school are able to lock in fixed interest rates for their student loans that are well below market rates, the maximum amount a student can borrow has remained essentially the same for decades.

Administration Proposal and Impact

The President proposes a package of reforms to address these problems while improving the effectiveness of the Pell Grant and student loan programs. These reforms will increase the maximum Pell Grant award from $4,050 to $4,550 over five years and provide additional student loan benefits to students in school. Coupled with this package of reforms is a new budget scoring rule for Pell Grants, which will ensure the program is fully funded each year, which means that funding shortfalls will be fully paid for and will not accumulate in future years.

The President also proposes to reduce subsidies to student loan lenders and guaranty agencies, who would also be required to bear a greater share of overall program risk. Since the last reauthorization of the Higher Education Act in 1998, student loan servicing has been significantly concentrated in a few large companies, allowing economies of scale to be achieved. Additionally, lenders have increased their financial returns through several means, including aggressive participation in the secondary market for loans, without a corresponding reduction in Federal subsidy rates. The President's Budget takes advantage of these efficiencies by reducing the cost of the student loan programs to the taxpayer, without reducing the ability of all eligible students to receive loans.

To ensure student loan interest rates are market sensitive, the President's Budget proposes to eliminate borrowers' ability to lock in low fixed interest rates through loan consolidations. However, the Budget does propose to allow all borrowers to take advantage of historically low variable interest rates, including those borrowers who currently have high fixed interest rates. To help make college more affordable, and direct more benefits to current students, the Administration also increases loan limits for borrowers in their first two years of college and borrowers in graduate school.

Finally, the President proposes to eliminate the Perkins Loan program and recall the Federal portion of the Perkins Loan revolving funds held by participating institutions. Only a small number of postsecondary institutions participate in the Perkins Loan program, and, by and large, these institutions do not serve the neediest students. The Administration believes that it can better serve students if it directs these funds to student aid programs that serve all low-income students, regardless of the institution in which they enroll.

In total, these reforms provide $33.8 billion in mandatory savings over 10 years, including $27.8 billion in student loan savings and $6.0 billion in savings from eliminating the Federal Perkins Loan program. These savings will be used to invest $19.3 billion in new mandatory funding in the Pell Grant program to both increase the maximum award by $500 and retire the $4.3 billion Pell Grant shortfall accumulated in prior years (the latter also counts as deficit reduction). These savings will also be used to provide $8.7 billion in additional benefits to borrowers in the student loan programs, and $5.8 billion in additional deficit reduction. Overall, this package of reforms reduces the deficit by $10.1 billion over 10 years.

Department of Energy: Mandatory
Power Marketing Administrations (PMAs)

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	-3,353	-3,353	-3,353	-3,353	-3,353	-16,765	33,530
Proposed change (change from current law)…………………..	-40	-157	-446	-1,145	-1,406	-3,194	-12,434

Background

The PMAs were established beginning in the 1930's to help electrify rural and underserved parts of the country and sell the power generated by the hydroelectric dams the Federal Government constructed. Today, the PMAs sell power to about 1,200 wholesale customers in 32 States, who in turn distribute the power to about 36 million end-consumers (households and businesses). In most cases, wholesalers blend the PMA power into power from other, usually private power suppliers. In most States where power wholesalers buy PMA power, excluding Bonneville which serves the Northwest, PMA power represents less than five percent of their total power; Bonneville's customers receive about 40 percent of their power from the PMA.

The PMAs are required by statute to recover the cost of producing and transmitting the power they sell, and can only charge rates to recover their costs. But, as documented in GAO and other reports, the PMAs do not recover all their costs. Taxpayers cover some costs, such as when PMAs repay construction costs at a lower interest rate than the rate at which Treasury borrowed the funds. The average price for PMA power is roughly 50 percent of market rates, except for Bonneville, whose rates are closer to market levels.

Administration Proposal and Impact

The 2006 Budget allows the PMAs to slowly increase their rates from current subsidized levels and charge their customers a rate closer to what other wholesale sellers charge for their power. Reducing the often deep discount in their rates will bring greater equity with other market participants, and greater fairness to general taxpayers. This will have a modest and gradual affect on end-consumers of PMA power, because the PMA power generally makes up a small amount of a wholesaler's total power supply. For 90 percent of all PMA consumers, the estimated impact is less than 50 cents per month in 2006 and less than a dollar per month in 2007. Existing contracts will be honored, and modified when allowed.

Department of Health and Human Services: Mandatory Medicaid/SCHIP

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	197,996	210,609	228,769	249,021	270,837	1,157,232	2,873,925
Proposed changes							
Medicaid Payment Reform.......	---	-1,322	-1,415	-1,513	-1,619	-5,869	-15,189
Medicaid Prescription Drugs....	-542	-723	-1,255	-1,372	-1,493	-5,385	-15,091
Appropriate Payments for Medical Services..........	-129	-427	-715	-845	-969	-3,084	-11,742
Medicaid Provider Taxes.........	-231	-461	-811	-825	-839	-3,167	-7,615
Medicaid administration...........	---	-128	-221	-329	-452	-1,130	-5,953
Medicaid Asset Transfers.........	-99	-197	-295	-393	-491	-1,476	-4,505

Background

Created in 1965, Medicaid is an open-ended means-tested entitlement program that is jointly financed by the Federal Government and States. In 2006, Medicaid is projected to provide health coverage and services to more than 46 million low-income children, pregnant women, elderly, and disabled individuals. Created in 1997, the State Children's Health Insurance Program (SCHIP) is a capped means-tested health program that targets health coverage to children with incomes up to 200 percent of the Federal Poverty Level (FPL). States have more flexibility in designing and administering SCHIP, including benefit packages, cost sharing, and health delivery systems.

Medicaid's complexity and open-ended finance structure encourages efforts by States to draw down Federal matching funds, sometimes inappropriately. These financing practices undermine the Federal-State partnership and jeopardize the financial stability of the Medicaid program. The 2006 Budget proposes to build on past efforts to improve efficiencies and the fiscal integrity of Medicaid and SCHIP while still maintaining Medicaid growth at a robust rate of 7.2 percent.

Administration Proposal and Impact

Medicaid payment reform: The 2006 Budget proposes to further improve the integrity of the Medicaid matching rate system by requiring the Centers for Medicare and Medicaid Services (CMS) to recover Federal funds inappropriately retained by or returned to the State. Medicaid's open-ended financing structure encourages States to maximize the amount of Federal matching funds they receive without contributing the legally-determined State share. Through such mechanisms, Federal funds intended to pay for health services are either retained by or returned to the State and "recycled" to draw additional Federal dollars. These financing strategies have led to dramatic increases in Federal funding without a corresponding increase in Medicaid services.

This proposal is intended to reinforce the Federal/State partnership while eliminating Medicaid financing arrangements that undermine the program's integrity. This proposal allows States to set adequate rates for Medicaid services. Instead, the proposal affects funding that does not directly pay for health services. The Federal Government remains committed to providing quality services to Medicaid beneficiaries. In addition, this proposal is consistent with reforms proposed by the HHS Office of the Inspector General (OIG). In past years, the HHS OIG has recommended this proposal as a strategy to curb inappropriate financing mechanisms.

The 2006 Budget also proposes to better align Federal reimbursement for government providers to the cost of providing Medicaid services. Today, States have a financial incentive to make excessive payments to government providers as part of a strategy to leverage additional Federal funds. In many cases, the excessive payments do not remain with the government provider. Instead, the funds are transferred back to the State where they can be used for other purposes. The Government Accountability Office has recommended that HHS address this issue by reimbursing providers on a cost basis.

Medicaid prescription drugs: Currently, most States reimburse pharmacies a percentage discount off the Average Wholesale Price (AWP), a list price set by the drug manufacturer, plus a flat dollar dispensing fee. In recent years, the HHS Inspector General has found that pharmacies acquire drugs for a cost that is generally much lower than their reimbursement. The difference between the pharmacy acquisition cost and the reimbursed amount is referred to as the spread. The larger the spread, the more a pharmacy profits on the reimbursement from Medicaid. The current system has created an incentive for manufacturers to artificially raise the AWP to make their products more attractive to pharmacies because the profit will be larger with the higher price. As a result, AWP is consistently inflated and therefore a faulty reference price. Moving to an ASP-based system creates a more transparent Medicaid pharmacy reimbursement system, which could slow down the rapidly rising costs of Medicaid drugs.

The Budget proposes to require States to reimburse the Average Sales Price (ASP) of a drug to pharmacies for Medicaid drugs, plus a 6 percent fee for storage, dispensing, and counseling. ASP is the weighted average of all non-Federal sales from manufacturers, and is therefore a sound proxy for pharmacy acquisition cost. This reimbursement scenario aligns pharmacy reimbursement with pharmacy acquisition cost and will create a more sustainable system. Reimbursing ASP + 6 percent is consistent with Medicare reimbursement for Part B-covered drugs as established by the Medicare Modernization Act.

Appropriate payment for Medicaid services: In an effort to further rationalize Medicaid spending, the 2006 Budget proposes to clarify reimbursement policies for targeted case management (TCM) services, rehabilitation services, and "free care" principles. Currently, a majority of States offer rehabilitation and targeted case management services. However, reimbursement policies for these services are not well articulated. This ambiguity has resulted in questionable cost-shifting of services onto Medicaid, which increases costs. Although the Federal Government would continue to pay for these services, this proposal tightens the definitions of what would be reimbursable under these services. Additionally, the 2006 Budget articulates a sound financial management principle that states that Medicaid cannot be charged for a service that is provided free of charge. Clarifying these policies ensures the integrity of Medicaid payments.

The 2006 Budget also proposes to reduce the Federal matching rate for targeted case management services from State-specific Federal medical assistance percentages (FMAP). FMAP currently averages 57 percent. The Budget would reduce this to 50 percent. Targeted case management is largely an administrative activity, therefore, it is appropriate to reimburse it at 50 percent, similar to other Medicaid administrative activities. The proposal would also align reimbursement for TCM services with other Federal programs, such as Foster Care. This proposal does not affect the amount of reimbursement that States will receive for other Medicaid services to which an individual may be referred by a case manager. This proposal only affects States whose Federal matching rate for medical services is above 50 percent.

Medicaid provider taxes: Provider taxes are a financing mechanism States have used to generate State funds needed to obtain Federal Medicaid matching payments. During the mid 1980s, States began using provider taxes as a mechanism to leverage additional Federal funds and cost shift Medicaid expenses to the Federal Government. After the taxes were matched with Federal funds and paid to the providers, the providers did not keep the payments. Rather, the providers returned most of the Federal monies to the States, where the funds could be used for other purposes. In 1991, the Congress passed legislation to limit States' use of provider taxes. While Congress limited the use of this creative financing mechanism, the previous Administration created a "safe harbor" for provider taxes. The safe harbor allows States to tax providers up to six percent of revenues, under certain circumstances. The tax must be applied uniformly across all health care providers in the same class (e.g., all hospitals). Recently, use of this financing mechanism began to expand.

The 2006 Budget proposes to phase down the allowable tax rate States can charge providers from six percent to three percent and require that managed care organizations (MCOs) be treated the same as other classes of health care providers with respect to uniformity requirements. These proposals are intended to strengthen requirements and ensure the fiscal integrity of the Medicaid program.

Medicaid Administration: The 2006 Budget proposes to establish individual State allotments for Medicaid administrative costs to encourage States to use more cost-effective methods in administering the program. Currently, Medicaid reimburses administrative claims under an open-ended financing framework, which does not create incentives for States to operate the program as efficiently as possible. In addition, States have taken advantage of open-ended funding to cost shift non-Medicaid activities to the Federal Government. This proposal encourages program efficiencies and deters inappropriate cost shifting by slowing the rate of growth related to administrative claims.

Medicaid asset transfers: Medicaid's current rules restrict individuals from keeping more than a nominal amount of assets to qualify for long term care services. States are required to impose penalties on individuals who transfer assets (e.g., a house) at less than fair market value within three years of applying for Medicaid benefits. The penalty delays Medicaid eligibility by the amount of long-term-care services that could have been purchased with the dollar value of impermissible asset transfer. The penalty is largely ineffective because an individual can avoid eligibility delays by timing an asset transfer in advance of applying for benefits. If an asset transfer is timed properly, the penalty period runs out before a Medicaid application is made. In this case, the applicant has successfully protected his/her assets and qualified for Medicaid long term care services.

The 2006 Budget proposes to strengthen Medicaid requirements by requiring that penalties start on the date of eligibility for Medicaid LTC services or the date of transfer, whichever occurs later. Under this change, an applicant who transfers an asset in an impermissible manner would not be able to circumvent Medicaid penalties. Several States have expressed interest in pursuing this reform as part of an effort to promote personal responsibility and planning for an individual's long term care needs.

The 2006 Budget also includes a proposal to encourage the purchase of private long term care insurance. The proposal would eliminate the existing statutory ban on new Partnership for Long Term Care programs. Under these programs, individuals who purchase and use Partnership-approved insurance can become eligible for Medicaid services after their insurance coverage is exhausted.

The Administration proposes to restore Medicaid's original promise to protect and promote the health of the least financially fortunate among us, while fostering a more balanced Federal-State partnership that improves the program's long-term financial stability. The program's open-ended finance structure encourages efforts by States to draw down Federal matching funds, sometimes inappropriately. These financing practices undermine the Federal-State partnership required by the Medicaid statute and jeopardize the financial stability of the program. The 2006 Budget proposes several program integrity measures to reduce inappropriate use of Federal commitments under Medicaid. Also, the Administration proposes to apply lessons learned from the successful State Children's Health Insurance Program by giving States more flexibility to provide needed care to larger numbers of the uninsured, while reducing needless overhead and waste. Together with the President's package of proposals to help the uninsured, this reform will focus on increasing health insurance coverage for low-income families while also promoting more efficient and rational ways of delivering care, such as community-based care alternatives for persons with disabilities.

Other Proposals Included in the Budget

The descriptions above focus on savings proposals and do not include the Medicaid program enhancements proposed in the 2006 Budget. For example, the Budget includes the Cover the Kids initiative to get as many eligible children as possible covered, New Freedom proposals to improve services for the disabled, various extensions of existing authorities, Medicaid and SCHIP Modernization, and the Administration's proposed tax system improvements to expand health insurance coverage.

Department of Health and Human Services: Mandatory
Payments to States for Foster Care and Adoption Assistance

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	6,619	6,870	7,091	7,426	7,732	35,738	80,132
Proposed change (change from current law)…………………..	-72	-74	-77	-79	-81	-383	-833

Background

Payments to States for Foster Care and Adoption Assistance include programs which assist States with the costs of maintaining eligible children in foster care, preparing older foster care children for living on their own, and adopting children under special conditions. Administrative and training costs also are supported. Foster Care and Adoption Assistance support child welfare services, which are intended to enhance the capacity of families to raise children in a nurturing, safe environment; to protect children who have been or are at risk of being abused or neglected; to provide safe, stable, family-like settings consistent with the needs of each child when remaining at home is not in the best interest of the child; to reunite children with their biological families when appropriate; and to secure adoptive homes or other permanent living arrangements for children whose families are not able to care for them.

In March of 2003, the Ninth Circuit Court of Appeals ruled against the Federal Government in *Rosales v. Thompson* and expanded the definition of “home of removal” so that Ninth Circuit States may shift some of their Foster Care costs to the Federal Government.

Administration Proposal and Impact

The Budget includes a proposal to amend the definition of “home of removal” by clarifying the language regarding “home of removal” in the section setting forth the eligibility of children for title IV-E foster care maintenance payments. HHS seeks to amend the statute so that it is in accord with the Department’s long-standing interpretation of the Social Security Act. Doing so will prevent increased costs to the Federal Government resulting from new title IV-E claims from States within the Ninth Circuit and will prevent inconsistent policy interpretations and ultimately legal and policy challenges from States outside of the Ninth Circuit. This policy is projected to save the Federal Government of approximately $72 million in fiscal year 2006 and $383 million over five years.

Department of Housing and Urban Development: Mandatory
FHA Rehabilitation Grants and Below-Market Sales

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	286	146	92	90	70	684	929
Proposed change (change from current law)…………………..	-60	-100	-100	-100	-100	-460	-960

Background

HUD's Federal Housing Administration (FHA) insures the mortgages of multi-family residential properties. Under several statutory provisions, HUD has the authority to remedy problems with the operation and condition of FHA-insured multi-family properties. These authorities allow the use of rehabilitation grants and property sales at prices below their market value for properties in mortgage default. These authorities impose costs on the FHA insurance fund and, as there is little restriction to their use, represent an open-ended liability. These are the only mandatory forms of assistance for low-income housing in HUD. In the case of mortgage default, FHA can use these authorities to facilitate transactions designed to make a property financially and physically viable.

Administration Proposal and Impact

This proposal would make several FHA multi-family authorities subject to appropriations. By making their use subject to appropriations, the Administration and Congress will be able to set the level of activity for these authorities and have an opportunity to better control their use. The 2006 Budget lowers spending under these authorities (relative to the current law baseline level) and therefore creates savings. The Budget includes other forms of assistance for residents in distressed properties including mortgage restructuring under the "Mark-to-Market" program, rent subsidy amendments, and tenant protection vouchers.

FHA has often used these authorities for properties receiving project-based rental assistance. The latter was subject to a PART finding that the program lacks strong financial controls and imposes long-term liabilities for the Federal Government. This proposal addresses that finding by improving control and oversight of spending.

Department of the Interior: Mandatory
Southern Nevada Public Land Sales Reform

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	775	1,101	1,041	1,020	1,017	4,954	9,914
Proposed change (change from current law)…………………..	-227	-418	-636	-641	-642	-2,564	-5,782

Background

Enacted in 1998, the Southern Nevada Public Land Management Act (SNPLMA) sets aside funds from the sale of Federal lands around Las Vegas for specific uses in Nevada. Under SNPLMA, 15 percent of revenues are provided directly to State and local entities, and the remainder of the proceeds is devoted to local projects on both Federal and local lands without further consideration by the Congress.

SNPLMA was enacted with the understanding that a substantial portion of the revenues generated would be spent to acquire and conserve other lands in Nevada. However, a 2006 PART review found that as SNPLMA land sale receipts have risen dramatically in the last few years, the available funding grossly outpaced land acquisition needs. This has resulted in only 8 percent of funds approved for the latest round of projects being dedicated to land acquisition, while 67 percent of these funds are devoted to local projects. For example, $16 million of land sale receipts were earmarked for the first phase of a recreational shooting range outside Las Vegas. These projects are formulated and implemented without the further consideration of Congress typically applied to similar projects.

Compounding this problem is the fact that the amount of receipts generated by these land sales has been much higher than anyone, including the bill's sponsors, ever anticipated when SNPLMA was passed. When originally passed, proceeds from land sales under the bill were estimated at roughly $70 million per year; receipts will be 17 times that level ($1.2 billion) in 2005.

Administration Proposal and Impact

The 2006 Budget proposes to amend SNPLMA to redirect 70 percent of all receipts to the Treasury, where Federal land sale receipts have historically been deposited. The 15 percent of the receipts that currently go to State and local entities is not affected and 15 percent of receipts will still be directed to conservation and local projects on Federal and other public lands. This proposal serves the general taxpaying public while still providing about four times the level of spending in Nevada as originally anticipated in 1998.

Department of the Interior: Mandatory
Arctic National Wildlife Refuge (ANWR) Development

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	---	---	---	---	---	---	---
Proposed change (change from current law)…………………..	---	-1,201	-1	-101	-1	-1,304	-1,473

Background

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

Administration Proposal and Impact

The 2006 Budget proposes to authorize exploration and, if resources are discovered, environmentally-responsible oil and gas development in the 1002 Area of the Arctic National Wildlife Refuge. Technological advances have dramatically reduced the environmental impact of new oil and gas production since ANILCA was passed in 1980. For instance, the development footprint from production would cover only about one-tenth of one percent of the 1002 Area.

Reducing the Nation's dependence on foreign energy sources is a top Administration priority. The Department of the Interior estimates that the 1002 Area holds between 5.7 billion and 16 billion barrels of recoverable reserves, or up to 1 million barrels per day of new domestic oil supply. Revenues from bonus bids, rents, and royalties collected from oil and gas production in ANWR would be split 50/50 with the State of Alaska.

Department of the Interior: Mandatory
Pick-Sloan Missouri Basin Program Cost Repayment Project

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	-164	-154	-179	-174	-167	-838	-1,775
Proposed change (change from current law)…………………..	-33	-33	-31	-31	-29	-157	-300

Background

This multipurpose, multi-agency (Reclamation, Corps of Engineers, and Western Area Power Administration (WAPA)) irrigation, flood control, and power generation program serves parts of ten States in the Midwest. Power customers have repaid the construction costs of most of the project, and annually reimburse Reclamation for its operating and maintenance (O&M) expenses on that portion of the project. However, approximately $500 million of the program's hydropower and water storage capital costs were allocated to irrigators, but because the irrigation was never developed, the capital and O&M costs on this portion of the project are not being repaid to the Federal Government. Meanwhile, power customers have been using, but not paying for, the dams and reservoirs originally allocated to irrigation, and the price of the power has, therefore, been subsidized.

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

Administration Proposal and Impact

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

Department of the Interior: Mandatory
BLM Range Improvement Fund

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	10	10	10	10	10	50	100
Proposed change (change from current law)…………………..	-7	-10	-10	-10	-10	-47	-97

Background

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

Administration Proposal and Impact

The 2006 Budget proposes to eliminate BLM's range improvement fund. The mandatory nature of the funding does not allow program managers to consider an array of spending options and shift funding toward higher priorities. Under the Administration's proposal, BLM would retain the ability to fund range improvements to benefit wildlife within its appropriated budget. The Budget proposes to increase funding for BLM's Challenge Cost Share grants program and allow range improvement proposals that benefit wildlife to compete for project funding.

In addition, BLM expects to publish new regulations in 2005 that will allow grazing permittees to share title to range improvements. This should increase the level of private investment in improvements in 2005 and thereafter, and will decrease the need for the Federal Government to fund these projects.

Department of Labor: Mandatory
Pension Benefit Guaranty Corporation (PBGC) Reform

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays* ………………	-315	-95	-7	246	503	333	5,095
Proposed changes							
PBGC Outlays..........................	-2,195	-3,702	-3,495	-3,226	-2,916	-15,534	-26,521
Tax Receipts**.........................	-151	-1,432	869	2,699	1,762	3,747	12,735
Total effects................................	-2,346	-5,134	-2,626	-527	-1,154	-11,787	-13,786

* Baseline includes interest from U.S. securities paid from the Treasury, but no tax effects of the program.

** Tax receipts line displays tax effect on deficit.

Background

Created by the Employee Retirement Income Security Act (ERISA) of 1974, the PBGC is a wholly-owned government corporation that currently protects the pensions of 44 million Americans. Its single-employer insurance program guarantees payment of benefits under defined-benefit pension plans, subject to statutory limitations, in the event the employer can no longer maintain the plan. PBGC insurance is mandatory for most private, defined-benefit pension plans. The program receives no general revenues; its funding derives from premiums paid for covered plans, assets from terminated plans that come into PBGC trusteeship, and investment earnings. This program currently has a deficit of $23 billion. The Government Accountability Office (GAO) has placed the PBGC's single-employer insurance program on its "High Risk" list and recommended comprehensive reforms and improved disclosure requirements to address the long-term financial risks to the program. In addition, an analysis conducted through the PART indicated that funding reforms are needed to control PBGC's exposure.

Administration Proposal and Impact

The 2006 Budget proposes legislation to better protect workers' defined-benefit pensions by reforming funding rules, revising PBGC's insurance premiums, and improving disclosure of pension funding. The Administration's proposed changes to funding rules would require pension plans whose liabilities exceed their assets to pay down the funding shortfall over a period of 7 years. Each plan's funding target would be dependent on the employer's financial health. Proposed changes to employer premiums would adjust the flat-rate premium annually for growth in worker wages, while updating the variable-rate premium to reflect new funding targets and authorize PBGC's Board to make revisions periodically, as needed, to cover the cost of expected claims. The reforms also would provide employers greater flexibility to contribute additional amounts toward their defined-benefit pension plans in good economic times, and improve disclosure to workers, investors, and regulators about pension plan status.

Department of Labor: Mandatory
Strengthening Financial Integrity in the Unemployment Insurance Program

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	36,891	38,485	40,871	43,238	45,656	205,141	472,534
Proposed change (change from current law)…………………..	-281	-347	-418	-429	-436	-1,911	-4,423

Background

The Unemployment Insurance (UI) program was created by the Social Security Act of 1935 to provide temporary, partial wage replacement to qualifying unemployed workers who have lost their jobs through no fault of their own. UI is a Federal-State partnership. The Federal Government finances the program's administrative expenses, while the States make benefit payments from State-levied employer payroll taxes. In 2004, the UI program provided benefits totaling $42.5 billion to 8.8 million unemployed workers.

Legislation passed in 2004 strengthened the integrity of the UI program by ending manipulative practices by which employers avoid their fair share of State UI taxes. The law also grants access by State UI agencies to the National Directory of New Hires, which allows quick detection of individuals who go back to work and continue to collect UI. However, more needs to be done to reduce UI improper payments, which were estimated at $3.9 billion in 2004.

Administration Proposal and Impact

The 2006 Budget proposes legislation to reduce UI improper payments through amendments to the Social Security Act to: (1) boost States' incentives to recover benefit overpayments by permitting them to retain a portion of recovered funds to combat fraud and promote error reduction; (2) require States to impose a monetary penalty for UI fraud, which would be used to reduce overpayments; (3) permit more active participation by private collection agencies in the recovery of overpayments and delinquent employer taxes; and (4) require States to charge employers when their actions lead to overpayments. In addition, the Administration is proposing legislation to authorize the collection of UI overpayments through garnishment of Federal income tax refunds, in cases where an individual has received UI benefits payments to which he or she is not entitled and the State is unable to recover them. These proposals combined are estimated to reduce UI improper payments by $4.4 billion over ten years.

The 2006 Budget also requests $40 million in discretionary funds for two UI program integrity initiatives with estimated benefit savings of $330 million in 2006. These initiatives – to prevent UI identity theft and to conduct continued eligibility reviews in the One-Stop Career Centers – will be funded through an adjustment in the discretionary spending caps.

Department of Labor: Mandatory
Black Lung Disability Trust Fund Debt Refinancing

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	1,068	1,079	1,090	1,100	1,111	5,448	11,219
Proposed change (change from current law)…………………..	---	---	---	---	---	---	---

Background

Enacted in 1969, the Black Lung Benefits Act entitles coal miners who have been totally disabled by occupational black lung disease to monetary and medical benefits. Benefits are paid by the "responsible" mine operator or, where no such operator can be found, the Trust Fund, which is financed through an excise tax on coal. Currently estimated at $9 billion, the Black Lung Trust Fund’s debt arose during the program’s early years, when coal excise taxes fell short of compensation costs and the Fund had to borrow from the Treasury. Since 1990, the Trust Fund’s tax revenue generally has covered program costs, but not the interest due on past borrowing. As a result, each year the Trust Fund has had to borrow additional amounts to service its debt, and DOL has repaid none of the principal. Under current conditions, the Trust Fund’s debt could never be repaid. The Fund’s insolvency is a long standing concern of the Labor Department’s Inspector General.

Administration Proposal and Impact

The 2006 Budget re-proposes legislation to restructure the Black Lung Disability Trust Fund debt and restore solvency to the Fund. Proposed reforms would: (1) refinance the debt to take advantage of current, low interest rates (the current blended interest rate is 9 percent); (2) extend until the debt is repaid the Fund’s excise tax levels, which are set to revert to lower levels in January 2014; and (3) upon enactment of the bill, provide a one-time appropriation for a payment to the U.S. Treasury to cover the forgone interest payments. Because this is an intragovernmental transfer, there is no net government-wide budgetary effect until the proposed extension of current excise tax rates causes revenues to increase by an estimated $639 million in 2014 and 2015.

Department of Labor: Mandatory
Federal Employees' Compensation Act (FECA) Reform

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	237	336	262	318	289	1,442	2,108
Proposed change (change from current law)…………………..	-6	-12	-20	-17	-17	-72	-172

Background

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

Administration Proposal and Impact

The 2006 Budget proposes legislation to update the FECA program's benefit structure, adopt best practices of State workers' compensation systems, and strengthen return-to-work incentives. The proposed legislation would amend FECA to convert prospectively retirement-age beneficiaries to a retirement annuity-level benefit; impose an up-front waiting period for benefits, as is done in every State workers' compensation system; streamline claims processing; permit DOL to recapture compensation costs from responsible third parties; and make other changes to improve and update FECA. (The table above reflects net savings, and does not include projected reductions in Federal agencies' payments for FECA benefits paid to their employees. On a government-wide basis, these reforms are expected to produce ten-year government-wide savings of more than $720 million.)

Department of Treasury: Mandatory
Continued Dumping and Subsidy Offset Act of 2000

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	1,608	1,615	1,624	855	865	6,567	11,035
Proposed change (change from current law)…………………..	-1,608	-1,615	-1,624	-855	-865	-6,567	-11,035

Background

The Bureau of Customs and Border Protection collects duties assessed pursuant to a countervailing duty order, an antidumping duty order, or a finding under the Antidumping Act of 1921. The Continued Dumping and Subsidy Act (CDSOA) was enacted as a permanent provision in the Agriculture Appropriations Act for Fiscal Year 2001 without going through the authorization process. Prior to its enactment, collected duties were deposited in the general fund of the Treasury. The CDSOA redirects tariff revenues collected from antidumping (AD) and countervailing duty (CVD) cases from the U.S. Treasury to the U.S. industry petitioners who brought the AD or CVD cases. These distributions provide a significant additional benefit to producers that already gain protection from the increased prices on imports provided by the tariffs. This not only represents an unwarranted subsidy, but also encourages more firms to file or support antidumping cases, regardless of whether the case has merit, because this law makes the distribution of duty revenues contingent on whether a firm supported the AD/CVD case in question. The World Trade Organization (WTO) ruled in January 2003 that CDSOA violates our WTO commitments and has authorized retaliatory sanctions against the United States by seven WTO members, including the European Union, Canada and Japan.

Administration Proposal and Impact

The Administration will propose repeal of the Continued Dumping and Subsidy Offset Act of 2000. This proposal would uphold our WTO commitment and deposit collected duties in the general fund of the Treasury to reduce borrowing needs. The Administration has proposed repeal of the CDSOA in both FY 2004 and FY 2005. Companies injured by unfair trading practices will continue to benefit from the imposition of increased tariffs on imports where appropriate.

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

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	---	---	---	---	---	---	---
Proposed change (change from current law)…………………..	-11	-6	-6	-6	-6	-35	-65

Background

The FMS debt collection offset process is a well established tool to collect delinquent non-tax debts owed to Federal agencies. In 2004, the debt collection program collected $3 billion in delinquent non-tax debt. Last year, the Debt Collection program received an “effective” rating on an evaluation using OMB’s PART. As a result of the PART analysis, the 2005 President’s Budget proposed four initiatives to increase opportunities to collect delinquent debt owed to Federal agencies. Two of the four proposals were enacted into law last year - - this is one of the proposals that remain to be enacted.

Administration Proposal and Impact

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

Federal Communications Commission (FCC): Mandatory Auctions Receipts

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline offsetting receipts* …..	-100	-2,288	-13,252	-12,448	-1,494	-29,582	-29,582
Proposed change (change from current law)*…………………	---	---	1,083	-2,156	-3,239	-4,312	-5,112

* Shows effect of offsetting receipts on mandatory outlays.

Background

The Federal Communications Commission (FCC) began auctioning spectrum in 1994. These auctions have been widely recognized as an effective and successful approach to allocating licenses. Unfortunately, the FCC's authority to auction spectrum to telecommunication providers and other users expires at the end of fiscal year 2007. Absent this authority, there could be no viable alternative mechanism for resolving mutually exclusive applications and recovering the value of the spectrum for the public.

In addition, while there is a desire to auction the analog television frequencies, a timetable for terminating analog broadcasts is still being formulated. Extending auction authority provides the FCC time to address uncertainty involving the digital television transition and schedule the auction for when there is greater certainty involving the availability of the spectrum.

Administration Proposal and Impact

The Administration proposes to extend the FCC's auction authority indefinitely. Auction of spectrum licenses has proved to be an efficient, fair, and transparent approach to allocating this resource and has helped ensure that taxpayers receive fair market value.

In addition, extension of auction authority enables the FCC to conduct auctions closer to the time when spectrum currently used for other purposes will become available; this reduces bidder uncertainty regarding the availability of spectrum and equipment, and is expected to raise receipts.

Federal Communications Commission (FCC): Mandatory
Telecommunications Development Fund (TDF)

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	2	2	3	3	4	14	34
Proposed change (change from current law)…………………..	-2	-2	-3	-3	-4	-14	-34

Background

The Telecommunications Development Fund (TDF) was created in 1996 with the mandate to finance small businesses in the telecommunications sector, help develop new technologies, and promote universal service. It started operations in 1998 as an equity investment venture capital fund focusing on early-stage companies. Over the years, the firm has been capitalized by the Federal Government; it retains the interest earned on deposits made by bidders in FCC spectrum auctions. Between 1998 and 2003, TDF received nearly $50 million in interest on these deposits.

Through the end of calendar year 2003, TDF had invested a total of $14.5 million in about 14 companies. TDF has already written off more than $10 million of these investments. Meanwhile, TDF spent approximately $9 million on salaries and other administrative expenses during the same period. As of December 2003, TDF also held $29 million in cash equivalent securities.

Administration Proposal and Impact

As a result of TDF's disappointing performance, lack of impact, and high administrative costs, the Budget proposes terminating the fund and returning remaining assets to the Treasury. This will have no appreciable impact on the telecommunications industry as the private sector invests significant venture capital in this area; between 1998 and 2003, the private venture capital market invested nearly $40 billion in the industry.

Federal Deposit Insurance Corporation: Mandatory
Federal Deposit Insurance Fund

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	---	---	---	---	---	---	---
Proposed change (change from current law)…………………..	---	---	-1	377	855	1,231	1,063

Background

The Federal Deposit Insurance Corporation protects bank and thrift customers by insuring their deposits up to $100,000. FDIC currently has two separate funds that insure bank and thrift deposits—the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF). Under baseline assumptions (current law), BIF is expected to increase dramatically the insurance premiums it charges banks in 2009. Because a merged fund would be financially stronger, the combined Federal Deposit Insurance Fund is not expected to need to increase premiums until 2012. (The funding summary above thus reflects a reduction in premium receipts.)

Administration Proposal and Impact

The Administration proposes to strengthen the deposit insurance system for banks and thrifts by merging the FDIC's BIF and SAIF funds, which offer identical products. A single merged fund would be stronger and better diversified than either fund alone and therefore would improve the system's ability to withstand possible future losses. Relative to current law, this proposal would reduce the amount of premiums that the FDIC would need to collect over the next 5-10 years. However, a larger fund would have a diversified source of income, would reduce the risk that Federal taxpayer assistance would be needed in an unlikely event of a large number of bank failures (or the failure of a very large financial institution).

Social Security Administration: Mandatory
Supplemental Security Income Pre-Effectuation Reviews

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	37,546	37,148	41,429	42,879	44,349	203,351	449,150
Proposed change (change from current law)…………………..	-4	-18	-40	-64	-92	-218	-1,133

Background

The Supplemental Security Income (SSI) program was established in 1972 and provides monthly cash benefits to the needy aged, blind, and disabled. For blind and disabled cases, State disability determination agencies assess whether applicants meet the medical requirements for benefits. Some applications are allowed (i.e., approved) that should not be. In 1980, Congress required a review of allowances of Social Security disability applications, but not SSI allowances.

Administration Proposal and Impact

The Budget proposes that the Social Security Administration conduct reviews of a specific percentage of SSI initial disability and blindness cases of individuals aged 18 and older that were allowed by State disability determination agencies. The reviews would be done to ensure the accuracy of such allowances, and would be completed before the individuals were awarded benefits.

The provision would be substantially the same as the current-law Social Security disability pre-effectuation review requirement and would ensure consistent eligibility assessment standards across similar programs. The provision would be phased in as follows. For fiscal year 2006, the Commissioner would be required to review 25 percent of the allowances made after March 31st or, if a bill is not enacted by then, the date of the bill's enactment. Beginning in fiscal year 2007 and thereafter, 50 percent of all allowances would be reviewed.

USER FEES

User Fee Proposals
(Outlays in millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
User Fee Proposals:							
Agriculture:							
Animal Welfare User Fees *	-11	-11	-11	-12	-12	-57	-121
Food Safety and Inspection Service *	-139	-142	-145	-148	-151	-725	-1,529
Grain Inspection, Packers & Stockyards Administration *	-25	-26	-26	-27	-27	-130	-275
Agricultural Marketing Service Standardization *	-3	-3	-3	-3	-3	-15	-30
Justice:							
Bureau of Alcohol, Tobacco, Firearms and Explosives:							
Explosives Regulation *	-120	-120	-120	-120	-120	-600	-1,200
Labor:							
Foreign Labor Certification	---	---	---	---	---	---	---
Transportation:							
St. Lawrence Seaway Development Corporation *	-8	-17	-17	-17	-17	-76	-170
Treasury:							
Tax and Trade Bureau Regulatory Activity *	-29	-29	-29	-29	-29	-145	-297
Veterans Affairs:							
Annual Medical Fees for higher income veterans with non-service-connected disabilities *	-248	-248	-248	-248	-248	-1,240	-2,480
Drug Copay Increase *	-176	-178	-180	-181	-183	-898	-1,841
Total for Medical Services							
(Illustrative discretionary spending authority - non-add)	*(424)*	*(426)*	*(428)*	*(429)*	*(431)*	*(2,138)*	*(4,321)*
Army Corps of Engineers:							
Additional Recreation User Fees and Contributions	-9	-9	-1	---	---	-19	-19
Environment Protection Agency:							
Premanufacture Notification Fee Cap Removal *	-4	-8	-8	-8	-8	-36	-76
Pesticide Tolerance *	-20	-20	-21	-21	-22	-104	-221
Pesticide Registration *	-26	-27	-27	-28	-28	-136	-288
Federal Communications Commission:							
Authorize Spectrum License User Fees	---	-50	-150	-300	-300	-800	-3,125
Analog Spectrum Lease Fees	---	-500	-500	-480	-450	-1,930	-2,580
Total, User Fees	-818	-1,388	-1,486	-1,622	-1,598	-6,911	-14,252

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Department of Agriculture: Mandatory*
Animal Welfare User Fees

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-11	-11	-11	-12	-12	-57	-121

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

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

Administration Proposal

In 2006, the Administration will propose user fees to cover the cost of monitoring research facilities, animal dealers, and other covered entities. Funding this program through a fee would reduce the burden on the general public. This proposal is consistent with the Administration’s efforts to shift funding for programs that benefit specific and identifiable groups to user fees.

The Budget proposes permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with the Congress to reclassify these enacted fees as discretionary in 2007 so that they may be used by USDA toward animal welfare programs.

Department of Agriculture: Mandatory*
Food Safety and Inspection Service

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)……………………..	-139	-142	-145	-148	-151	-725	-1,529

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The primary objectives of the Food Safety and Inspection Service (FSIS) are to ensure that meat, poultry, and processed egg products are wholesome, unadulterated, and properly labeled and packaged, as required by the Federal Meat Inspection Act, the Poultry Products Inspection Act, and the Egg Products Inspection Act. FSIS inspection personnel inspect meat, poultry, and processed egg products at over 6,000 facilities throughout the United States and its territories.

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

Administration Proposal

The Budget proposes providing FSIS with new authority to charge user fees to cover the cost of providing all inspection services beyond a primary eight hour shift at all establishments inspected by FSIS. The Federal Government would continue to pay the full costs for a primary, eight hour inspection shift. This proposal is consistent with the Administration's efforts to shift funding for programs that benefit specific and identifiable groups to user fees

This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

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

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-25	-26	-26	-27	-27	-130	-275

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

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

Administration Proposal

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

This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

Department of Agriculture: Mandatory*
AMS Standardization User Fees

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-3	-3	-3	-3	-3	-15	-30

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Agricultural Marketing Service (AMS) carries out a wide range of activities designed to facilitate the marketing of U.S. agricultural products, both domestically and internationally. AMS provides many of these services on a voluntary, fee-for-service basis, often at the request of industry groups. In 1995, Congress provided AMS with the authority to collect fees for standards development through regulation. This law provides the agency with general user fee authority to charge for these activities, but does not also provide the agency with authority to use the fees to offset their appropriated funding.

Administration Proposal

The budget proposes to recover the cost of developing, reviewing and modifying quality grade standards through user fees. This proposal would enable AMS to charge fees to customers of the agency's inspection and grading programs for the costs associated with the development, review, and maintenance of official grading standards for which the agency has these established services. This proposal is consistent with the Administration's efforts to shift funding for programs that benefit specific and identifiable groups to user fees.

This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

Department of Justice : Mandatory*
Alcohol, Tobacco, Firearms and Explosives Bureau

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-120	-120	-120	-120	-120	-600	-1,200

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The mission of the Bureau of Alcohol, Tobacco, Firearms, and Explosives (ATFE) is the enforcement of Federal criminal laws relating to alcohol, tobacco, firearms, explosives, and arson. In connection with explosives, ATFE aims to counter crimes of violence and protect public safety through enforcement of Federal explosives laws, regulation of the explosives industry and explosives safety efforts. ATFE currently collects licensing and other fees that partially offset its regulatory costs.

Administration Proposal

The Budget proposes to charge a $0.02/pound fee on all explosives produced in, or imported into, the United States. The user fee would enable ATFE to offset fully the cost to inspect sales outlets and storage facilities, complete explosives inventories, ensure that only authorized personnel are at work in the explosives industry, prevent diversion of explosives, and other activities associated with regulating the industry. The user fee would avoid overly adverse consequences to small businesses by charging producers and importers a fee proportional to their size in the industry. This proposal is consistent with the Administration's efforts to shift funding for programs that benefit specific and identifiable groups to user fees.

This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

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

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	---	---	---	---	---	---	---

*The proposed fee would generate an estimated $40 million annually, which would be used to finance Permanent Foreign Labor Certification activities and result in no net budgetary effect.

Background

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

Administration Proposal

The 2006 Budget proposes legislation to authorize a cost-based application fee for services DOL provides employers under a reformed Permanent Foreign Labor Certification program. DOL recently published a final regulation for a new Permanent Electronic Review Management (PERM) system that will drastically reduce application processing time from years to weeks, and prevent future backlogs.

The mandatory fee would be based on the total cost of administering the program, which in 2006 is estimated to be $40 million. It would be paid by employers filing applications under the new program, which is effective in 2005. In addition, employers with pending applications filed under the predecessor program could choose to pay the fee to take advantage of new, streamlined application processing. This proposal is consistent with the Administration's efforts to shift funding for programs that benefit specific and identifiable groups to user fees.

Processing of employer applications for the Permanent program is currently funded through annual discretionary appropriations that provide grants to States for activities such as the supervision of employer efforts to recruit U.S. workers and fund direct DOL review and "certification" of State-approved employer applications. Upon enactment of the fee, funding for these activities in the 2006 Budget will be reviewed and adjusted.

Department of Transportation: Mandatory*
St. Lawrence Seaway Development Corporation

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-8	-17	-17	-17	-17	-76	-170

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

Established in 1954, the Saint Lawrence Seaway Development Corporation (SLSDC) is a wholly owned government corporation and an operating administration of the Department of Transportation responsible for the operations and maintenance of the U.S. portion of the St. Lawrence Seaway between Montreal and Lake Erie. The SLSDC coordinates its activities with the Canadian counterpart, the St. Lawrence Seaway Management Corporation, which currently supports its operations through fees.

Administration Proposal

The President's Budget proposes permanent legislation to authorize SLSDC to collect mandatory receipts. The Administration supports efforts to improve service delivery and believes that this proposal would enable SLSDC to function more like a private corporation. The proposal also provides $8 million in 2006 for SLSDC if revenues are not sufficient to cover full operational costs.

This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. The Administration will work with Congress to reclassify these enacted fees as discretionary in 2007.

Department of the Treasury: Mandatory*
Alcohol and Tobacco Tax and Trade Bureau (TTB) User Fees

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-29	-29	-29	-29	-29	-145	-297

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

TTB enforces Federal laws related to the production and distribution of alcohol and tobacco products through education, inspection, laboratory testing, and investigation. TTB works with industry, State governments, and other interested parties to facilitate compliance with regulatory requirements and provides technical expertise, training, information, and research results to industry members, Government agencies and others in order to better protect and serve the public.

Administration Proposal

The Budget proposes to establish user fees to cover the costs of TTB's regulatory functions under its "Protect the Public" line-of-business. The new user fees include administrative fees for "drawbacks" from Manufacturers of Non-Beverage Products (MNBP), filing fees for all new Certificate of Label Approvals (COLA's) for distilled spirits, wine, beer, American Viticultural Areas (AVA's), proposed formulas, and new (does not apply to amended) permit applications. The industry should pay for the benefits it receives from TTB's regulatory efforts. These efforts assure the public of unadulterated alcohol and tobacco products, and thereby are of value to the industry.

This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on the discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

Department of Veterans Affairs: Mandatory*
Medical Care Fees for Higher Income Veterans with No Service Disabilities

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed changes							
Annual enrollment fee.............	-248	-248	-248	-248	-248	-1,240	-2,480
Higher drug copays..................	-176	-178	-180	-181	-183	-898	-1,841
Total medical services (Ilustrative discretionary spending authority - non-add)……………………………	*(424)*	*(426)*	*(428)*	*(429)*	*(431)*	*(2,138)*	*(4,321)*

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Administration proposal

The proposal will refocus resources on VA's core medical care mission – serving veterans with military disabilities, low incomes, and special needs *(such as spinal cord injuries)* – by charging higher income veterans with no service disabilities new fees that better align with the private sector *(health care deductibles and copays)*.

The President will submit legislation to implement a $250 annual enrollment fee and higher drug copays *(from $7 to $15)* for non-disabled higher-income veterans *(PL 7 and PL 8 veterans)*. Prior to 1998, PL 7/8 veterans were only treated on a case-by-case basis, if resources were available, and totaled only 2 percent of patients. In 1998, VA opened up the system to PL 7/8 veterans who mainly began to use VA to complement other health coverage. In January 2003, VA closed the system to future new PL 8 veterans, but ensured that no veteran currently in the system would be denied care. Today, these veterans still comprise about 25 percent of patients.

These proposals were in the 2004 and 2005 President's Budgets *(appropriation language only)* but not adopted by the appropriators. This year the Budget proposes to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow the spending from these receipts to be scored against the appropriations bill for 2006 only. The 10-year savings credited to the authorizers would equal $3.9 billion - the $4.3 billion in receipts over this period minus the $0.4 billion of spending in 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007 so that they may be used by VA towards the medical care needs of its core mission population.

U.S. Army Corps of Engineers: Mandatory Recreation Management

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Baseline outlays ………………	-37	-37	-37	-37	-37	-185	-370
Proposed change (change from current law)* …………………	-9	-9	-1	---	---	-19	-19

* Collections net of expenditures

Background

The U.S. Army Corps of Engineers (Civil Works) is one of the largest Federal providers of outdoor recreation services. It manages 4,300 recreation areas at 465 projects, such as water reservoirs, in 43 States. The agency spends about $268 million annually to support this popular program. Many of the agency's recreation facilities at the lakes it manages need to be modernized. They were built 30 to 40 years ago and were designed to meet recreation needs of the public at that time.

Administration Proposal

The 2006 Budget proposes a Corps recreation modernization initiative that is based on a promising model now used by the U.S. Park Service, the Forest Service and other major Federal recreation providers. Legislation will be proposed to allow the Corps to implement a limited number of demonstration projects to use a portion of the expanded user fees it collects to improve service and facilities at the site where the fees are collected. The Corps will also explore authority to operate new public/private partnerships, such as lake improvement districts that encourage local communities, property owners and environmental groups to work with the Corps to maintain and upgrade Corps recreation facilities. This collaborative approach is consistent with the approach taken in the President's cooperative conservation efforts. The proposal will lead to better services for users of the Corps' facilities.

Environmental Protection Agency: Mandatory*
Pre-Manufacture Notice (PMN) Fee

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-4	-8	-8	-8	-8	-36	-76

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

As required by the Toxic Substances Control Act (TSCA), EPA evaluates new chemicals and their intended uses to ensure that they are not harmful to human health and the environment. Manufacturers seeking to bring these new chemicals into commerce must submit a pre-manufacture notice (PMN) to EPA for review. Since 1999, EPA has collected limited fees to defray part of the cost of reviewing and processing these notices. However, TSCA limits the fee amount that can be charged to manufacturers at a level ($2,500) which does not adequately support the PMN program activities. Currently, the fees collected cover approximately 20 percent of the program costs.

Administration Proposal

The Administration proposes to eliminate the $2,500 cap on the PMN Fee in Section 26(b) of TSCA in order to allow the full amount of the assessed fee to be collected and to permit EPA to recover a greater portion of the cost of the program. The Administration is proposing to pass permanent legislation to collect mandatory receipts. This proposal is consistent with the Administration's efforts to shift the source of funding for programs that benefit specific and identifiable groups to user fees.

Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

Environmental Protection Agency: Mandatory*
Pesticide Tolerance Fee

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-20	-20	-21	-21	-22	-104	-221

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.

Background

The Federal Food, Drug, and Cosmetic Act (FFCDA) requires the Environmental Protection Agency (EPA) to establish maximum limits on the amount of pesticides that may remain in or on foods after they have been treated in order to protect human health. In setting these limits – called tolerances – EPA must make a safety finding that the pesticide can be used with "reasonable certainty of no harm." FFCDA also requires EPA to collect fees from pesticide manufacturers for establishment and reassessment of tolerances. However, the collection of tolerance fees has been prohibited in appropriations acts since 2001. Most recently, provisions in the fiscal year 2004 Consolidated Appropriations Act (P.L. 108-199) extended the prohibition through 2008.

Administration Proposal

The Administration proposes to eliminate the prohibition on the collection of the Pesticide Tolerance Fee beginning in fiscal year 2006. Taken in aggregate, the pesticide fee collections currently allowed by Congress cover approximately 23 percent of EPA's total pesticides programs cost. Continuing to cover such a small percentage of EPA's pesticide activities with fees unnecessarily burdens the general taxpayers to pay for these programs. This proposal is consistent with the Administration's efforts to shift funding for programs that benefit specific and identifiable groups to user fees.

This year, the Administration is proposing to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

Environmental Protection Agency: Mandatory*
Pesticide Registration Fee

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	-26	-27	-27	-28	-28	-136	-288**

* The Administration will work with Congress to reclassify the enacted fees as discretionary beginning in 2007. Once reclassified, the Administration proposes to offset these fees against discretionary spending. Discretionary totals in those years will be reduced by these fees.
** Due to the reclassification of collections as offsetting mandatory receipts beginning in 2011, mandatory savings beginning in that year are offset by a reduction in receipts accounts.

Background

The Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA) requires the Environmental Protection Agency (EPA) to register pesticides before they can be introduced into commerce. The pesticide registration process is designed to prevent unreasonable risks to human health and the environment. Under existing authority EPA has promulgated a rule to collect fees from manufacturers for the registration of new pesticides. However, the collection of this registration fee has been prohibited through appropriations acts since 1989. Most recently, provisions in the fiscal year 2004 Consolidated Appropriations Act (P.L. 108-199) extended this prohibition through 2010.

Administration Proposal

The Administration is proposing to eliminate the prohibition on the collection of the Pesticide Registration Fee beginning in fiscal year 2006. Taken in aggregate, the pesticide fee collections currently allowed by Congress cover approximately 23 percent of EPA's total pesticides programs cost. Continuing to cover such a small percentage of EPA's pesticide activities with fees unnecessarily burdens the general taxpayers to pay for these programs. This proposal is consistent with the Administration's efforts to shift funding for programs that benefit specific and identifiable groups to user fees.

This year, the Administration is proposing to pass permanent legislation to collect mandatory receipts. Language in the appropriations bill will allow these receipts to be spent on discretionary programs for 2006 only. OMB will work with Congress to reclassify these enacted fees as discretionary in 2007.

Federal Communications Commission: Mandatory Proposal
Spectrum License User Fees

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	---	-50	-150	-300	-300	-800	-3,125

Background

The Federal Communications Commission (FCC) is prohibited by statute from auctioning particular types of licenses, including spectrum for certain international satellite services. Also, auctions may not be the most appropriate distribution method for certain other types of spectrum licenses. This can lead to inefficiencies in spectrum allocation because some licensees do not have to pay the opportunity costs of using spectrum. The United Kingdom and other countries have introduced user fees to promote more efficient spectrum use.

Administration Proposal

To promote efficient spectrum use, the Administration proposes providing the FCC with new authority to set user fees on unauctioned spectrum licenses, based on public interest and spectrum management principles. Fees would be phased in as the FCC undertakes rulemaking to determine the appropriate categories and fee levels. Because some fees will not be imposed until licenses are renewed, full phase-in of the fees is estimated to take several years. Annual fee collections are anticipated to reach $500 million. However, the FCC's final methodology for setting fees will determine actual collections.

Federal Communications Commission: Mandatory Proposal
Analog Lease Fees

Funding Summary
(In millions of dollars)

	2006	2007	2008	2009	2010	2006-10	2006-15
Proposed change (change from current law)…………………..	---	-500	-500	-480	-450	-1,930	-2,580

Background

By statute, television broadcasters must surrender their analog spectrum licenses on December 31, 2006, or when 85 percent of television viewers can receive digital signals, whichever is later. Despite this requirement, there has been growing recognition that the transition to digital television is moving too slowly. Lease fees could be designed to encourage broadcasters to expedite the transition to digital broadcasting and to return their licenses soon after 2006. This would free 24 MHz of spectrum designated for public safety, as well as additional spectrum for other wireless services.

Administration Proposal

The Administration proposes authorizing the Federal Communications Commission (FCC) to establish an annual lease fee totaling $500 million for the use of analog television spectrum by commercial broadcasters beginning in 2007. Once individual broadcasters return their analog licenses, they would be exempt from the fee and revenues would decline. On average, a commercial station that continues to hold both digital and analog licenses would pay about $366,000 annually.

BUDGET ENFORCEMENT AND OTHER REFORMS

BUDGET ENFORCEMENT AND OTHER REFORMS

To ensure responsible spending restraint, the Budget proposes a comprehensive framework to establish spending controls to bind the Congress and the President. In addition, it proposes other reforms to make the Budget process more accountable, orderly, and transparent.

Last spring, the Administration sent to the Congress a comprehensive budget enforcement legislation package in the form of the proposed Spending Control Act of 2004. The Administration plans to repropose that legislation with appropriate updates and revisions. In addition, certain administrative steps are planned to require agencies to propose offsets for regulatory actions that would increase mandatory spending. This section summarizes these proposals and other budget reforms supported by the Administration. (For more details on budget reform proposals, see Chapter 15, Budget Reform Proposals, in the *Analytical Perspectives* volume of the Budget.)

Discretionary spending caps

The Administration proposes to set limits, or caps, for 2005 through 2010 on net discretionary budget authority and outlays equal to the levels proposed in the 2006 Budget. Legislation that exceeds the discretionary caps would trigger a sequester of non-exempt discretionary programs. This approach would put in place a budget framework for the next five years that ensures constrained, but reasonable growth in discretionary programs. For 2005 through 2007, separate defense and nondefense categories would be enforced. For 2008 through 2010, there would be a single cap for all discretionary spending. In addition, a separate category for transportation outlays, financed by dedicated revenues, would be established for 2005 through 2009.

Pay-as-you-go (PAYGO) for mandatory spending

To restrain spending growth, the Administration proposes that legislative proposals that increase mandatory spending be offset by reductions in other mandatory spending. This proposal would require a three-fifths vote of the Senate for legislation that violated this requirement. If legislation was enacted that caused a net increase in mandatory spending, OMB would be required to make across-the-board reductions in non-exempt programs. This proposal is modeled after the PAYGO requirement in the Budget Enforcement Act, with two exceptions. First, it does not apply to tax legislation. Second, it also does not permit mandatory spending increases to be offset by tax increases. In the past PAYGO has been used to allow tax increases to pay for new spending. Most states recognize there is a bias for spending increases over tax relief and have established procedures to prevent tax increases. Thirty states have tax and expenditure limitations. In 15 states, it takes a three-fifths vote to raise taxes. And, two states require tax increases to be approved by a majority of the voters.

Budget discipline for agency administrative actions

Support for restoring a PAYGO requirement for mandatory spending is integral to the Administration's commitment to reducing the deficit and enforcing fiscal discipline. However, a significant amount of Federal policy is made via administrative actions, which can substantially increase Federal spending in entitlement programs. Often, these actions are not accompanied by other actions that would pay for the proposed change. The Office of Management and Budget plans to establish an internal review process that requires agencies, when proposing substantial administrative actions that increase mandatory spending, to propose other offsetting administrative actions that reduce mandatory spending.

Program integrity cap adjustments

An improper payment occurs when Federal funds go to the wrong recipient, the recipient receives an incorrect amount of funds, or the recipient uses the funds in an improper way. The Administration has made the elimination of improper payments a major focus. Toward that end, the Administration is proposing adjustments for spending above a base level of funding within the discretionary levels for the following program integrity initiatives: continuing disability reviews (CDRs) in the Social Security Administration; Internal Revenue Service (IRS) tax enforcement; the Health Care Fraud and Abuse Control (HCFAC) program in the Centers for Medicare and Medicaid Services; and Unemployment Insurance improper payments in the Department of Labor. These adjustments will ensure funding is targeted to activities that reduce error and generate program savings.

In the past decade, there have been a variety of successful efforts to ensure dedicated resources for program integrity efforts. For example, these efforts included cap adjustment funding for Social Security CDRs. These initiatives have led to increased savings for the Social Security program. Additional spending on program integrity initiatives has proven to reduce erroneous payments in these programs. The Administration's proposed adjustments for program integrity activities will total $755 million in budget authority in 2006 and $877 million in budget authority in 2007.

Long-term unfunded obligations

To prevent enactment of legislation that worsens the long-term unfunded obligations of Federal entitlement programs, the Administration proposes new enforcement measures to analyze the long-term impact of legislation on the unfunded obligations of major entitlement programs and make it more difficult to enact legislation that would expand the unfunded obligations of these programs over the long run. These measures would highlight proposed legislative changes that appear to cost little in the short run but result in large increases in the spending burdens passed on to future generations.

First, the Administration proposes a point of order against legislation that worsens the long-term unfunded obligation of major entitlements. The specific programs covered would be those programs with long term actuarial projections, including Social Security, Medicare, Federal civilian and military retirement, veterans disability compensation, and Supplemental Security Income. Additional programs would be added once it becomes feasible to make long-term actuarial estimates for those programs.

Second, the Administration proposes new reporting requirements to highlight legislative actions worsening unfunded obligations. The Administration would be required, as part of the

President's Budget, to report on any legislation enacted in the past year that worsens the unfunded obligations of the specified programs.

Results Commissions

Program overlap often impedes performance and increases costs. The success of reform proposals is hindered by overlapping jurisdictions in both Executive Branch agencies and Congressional committees. Program overlap is one of the reasons 30 percent of programs are rated as either ineffective or unable to demonstrate results. Overlapping jurisdictions in the Executive Branch and the Congress provide daunting hurdles to legislative remedies to the poor performance of duplicative programs.

The Administration proposes Results Commissions—to consider and revise Administration proposals to improve the performance of programs or agencies by restructuring or consolidating them. Congress would approve the establishment of individual Results Commissions to address single program or policy areas where duplication and the overlapping jurisdictions of Executive Branch agencies or congressional committees hinder reform. Proposals approved by the commission would then be approved by the President and considered by the Congress under expedited procedures.

Sunset Commission

The Administration also proposes a process by which programs undergo the regular scrutiny brought about by having to defend their existence before a Sunset Commission. Programs would be reviewed according to a schedule enacted by the Congress under expedited procedures. The Commission would consider proposals to retain, restructure, or terminate programs. Programs would automatically terminate according to the schedule unless the Congress took some action to reauthorize them.

Line-item veto

A perennial criticism of the Federal Government is that spending and tax legislation contain too many provisions benefiting a relative few, which would likely not become law if considered as a stand-alone bill. The persistence of special interest items diverts resources from higher priority programs and erodes the confidence of citizens in Government. Appropriations bills, especially those considered at the end of the congressional session, often attract special interest spending items that could not be enacted on their own.

The President proposes that the Congress correct this state of affairs by providing him and future Presidents with a line item veto that would withstand constitutional challenge. From the Nation's founding, Presidents have exercised the authority to not spend appropriated sums. However, the Congress sought to curtail this authority in 1974 through the Impoundment Control Act, which restricted the President's authority to decline to spend appropriated sums. Although the Line Item Veto Act of 1996 attempted to give the President the authority to cancel spending authority and special interest tax breaks, the U.S. Supreme Court found that law unconstitutional. The President's proposal would correct the constitutional flaw in the 1996 Act.

Specifically, the President proposes a line-item veto linked to deficit reduction. This proposal would give the President the authority to defer new spending whenever the President determines the spending is not an essential Government priority. All savings from the line-item veto would be used for deficit reduction, and they could not be applied to augment other spending.

Joint Budget Resolution

A joint budget resolution would set the overall levels for discretionary spending, mandatory spending, receipts, and debt in a simple document that would have the force of law. Under the current process, the Congress annually adopts a ‘‘concurrent resolution,’’ which does not require the President’s signature and does not have the force of law. A joint budget resolution would bring the President into the process at an early stage, require the President and the Congress to reach agreement on overall fiscal policy before individual tax and spending bills are considered, and it would give the limits provided in the budget resolution the force of law.

Biennial Budgeting and Appropriations

Only twice in the last 50 years have all appropriation bills been enacted by the beginning of the fiscal year. Because Congress must enact these bills each year, it cannot devote the time necessary to provide oversight and fully address problems in Federal programs. The preoccupation with these annual appropriations bills frequently precludes review and action on authorization legislation and on the growing portion of the Budget that is permanently funded under entitlement laws. According to the Congressional Budget Office, the Congress has appropriated about $170 billion for fiscal year 2005 for programs and activities whose authorizations of appropriations have expired. In contrast, a biennial budget would allow lawmakers to devote more time every other year to ensuring that taxpayers’ money is spent wisely and efficiently. In addition, Government agencies would receive more stable funding, which would facilitate longer range planning and improved fiscal management.

Government Shutdown Prevention

For 23 out of the past 24 years, one or more of the 13 appropriations bills have not been enacted by the October 1st deadline, the beginning of the new fiscal year. When appropriations bills are not enacted by the beginning of the fiscal year, the Congress must pass “continuing resolutions” (CRs), which provide temporary funding authority for Government activities usually at current levels until the final appropriations bills are signed into law. If Congress does not pass a CR or the President does not sign it, the Federal Government must shutdown.

Important Government functions should not be held hostage simply because of an impasse over temporary funding bills. Under the President’s proposal, if an appropriations bill is not signed by October 1 of the new fiscal year, funding would be automatically provided at the lower of the levels specified in the President’s Budget or the prior year’s level.

Federal Pell grants

The Pell Grant program provides grant aid to postsecondary students to help pay for their education. While Pell Grant funding is discretionary and provided through the annual appropriations process, if a Pell-eligible student enrolls in school, he or she is automatically eligible for a need-based award up to the maximum award set in appropriations, regardless of the budget authority appropriated. In recent years, Pell Grant appropriations have been insufficient to cover program costs, creating a $4.3 billion funding shortfall through the 2005-2006 award year.

To ensure funding shortfalls do not accumulate in future years, the Administration proposes to score Pell Grant appropriations at the amount needed to fully fund the award level set in appropriations acts, even if the amount appropriated is insufficient to fully fund all awards. This amount would be increased to cover any prior year funding shortfalls and reduced by any prior year funding surpluses. This new budget scoring rule is a necessary component of the Administration's FY 2006 student aid reform proposal to use mandatory student aid savings to both retire the $4.3 billion shortfall and increase the $4,050 Pell Grant maximum award by $500 over the next five years.

Federal Pay

In a budget that holds total discretionary spending growth to 2.1 percent, the Administration proposes to increase pay for both military and civilian personnel. The Administration has again proposed a civilian pay adjustment that is different from the proposed military pay adjustment. The Budget proposes a 3.1 percent increase for military personnel. The proposed 2.3 percent civilian pay adjustment will ensure that we are able to recruit, motivate, and retain quality people. This proposed increase and our highly competitive civilian employee benefits package will give agencies a favorable position in the labor market relative to private sector employers without diverting resources from high priority programs.

Over the past 4 years, the Congress has increased the civilian pay raise to the same increase requested for the military. These higher pay levels will cost approximately $15.4 billion through 2005. If civilian pay is increased again at the same level as military pay, it will cost an additional $0.9 billion in 2006. In the past, the Congress has required that agencies absorb these additional pay costs within their existing budgets, which means fewer resources for education, health, veterans and other priorities.