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**CONCURRENT RESOLUTION
ON THE BUDGET
FY 2009**

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together with
ADDITIONAL VIEWS AND MINORITY VIEWS

**COMMITTEE ON THE BUDGET
UNITED STATES SENATE**

KENT CONRAD, *Chairman*



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Note: All years are fiscal years unless otherwise noted.

1. OVERVIEW

The Senate Budget Committee-reported resolution for the Fiscal Year 2009 Congressional Budget is a budget plan that focuses on strengthening the economy, creating jobs, and making America safer. It responds to the current economic slowdown by providing additional stimulus for the economy and tax relief for the struggling middle class. And it creates the building blocks for future economic growth by making needed investments in energy, education, infrastructure, and health care. These investments will:

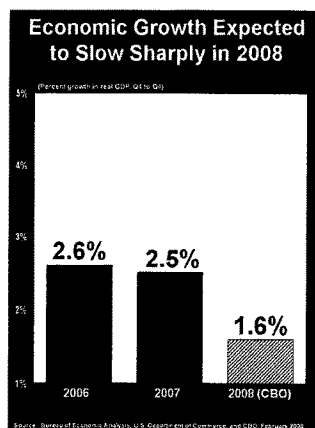
- reduce America's dependence on foreign energy;
- prepare the nation's workforce to compete in the global economy;
- increase productivity by repairing crumbling roads, bridges, transit, and airports; and
- improve the health care of families and children.

The Committee-reported resolution makes America safer by supporting our troops, our veterans, and our law enforcement officers. And it achieves these goals in a fiscally-responsible way, reaching balance in 2012 and 2013, without raising taxes.

Responding to Economic Slowdown

The Committee-reported resolution recognizes that strengthening the economy now is essential for us to tackle the challenges of tomorrow. It therefore provides a proactive response to the country's current economic slowdown.

Economic growth has slowed to a crawl – just six-tenths of one percent in the fourth quarter of last year. Homebuilding and home sales have collapsed. Energy costs are soaring. Unemployment is up. Consumer confidence is down. And the middle class is being squeezed. In February, the Democratic Congress led the way by moving quickly to pass a stimulus package to provide rebate checks to working families, seniors, and disabled veterans, and to encourage business investment. This package was a good start, but more needs to be done.

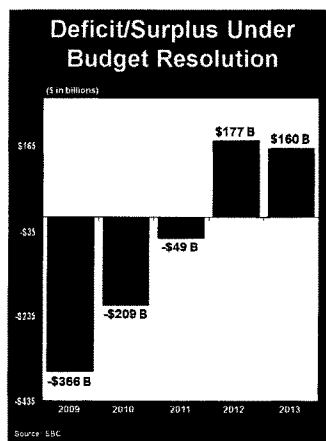


The Committee-reported resolution provides room for additional stimulus to get the economy moving again. It gives Congress the opportunity to take additional action to help those most in need during the current slowdown. These initiatives could include Unemployment Insurance (UI) benefits for the long-term unemployed, a temporary increase in Food Stamp benefits, and state fiscal relief – all measures that experts have determined will provide significant stimulus for the economy. Other possible initiatives include assistance to those caught in the housing downturn, funding for “ready-to-go” infrastructure projects that can quickly inject money into the economy and create jobs, and help for families struggling with high heating bills.

Returning to Sound Fiscal Course

Unfortunately, the budget has deteriorated dramatically on President Bush's watch. His fiscal policies, which have been rubber-stamped by Republicans in Congress, have completely wiped out the record \$5.6 trillion surplus projected when he took office. And gross debt has exploded – rising from \$5.8 trillion in 2001 to an estimated \$9.6 trillion by the end of this year. And this debt is accumulating at the worst possible time, with the baby boom generation beginning to retire this year.

As an important first step in restoring our nation's fiscal security, the Committee-reported resolution brings the budget back into balance – reaching a surplus of \$177 billion in 2012 and \$160 billion in 2013. Gross debt as a share of GDP will begin to fall after 2009. And spending as a share of GDP will decline in every year after 2009. The plan also retains crucial budget enforcement provisions, such as a strong paygo rule and allowing reconciliation for deficit reduction only.



Providing Tax Relief

The Committee-reported resolution prevents more than 20 million Americans from being thrown onto the Alternative Minimum Tax (AMT) by providing a one-year extension of AMT relief. It provides tax relief to make college more affordable, and encourage investment in alternative energy technologies. It extends important tax provisions, such as the research and development tax credit and the deduction for state and local sales taxes. It includes a reserve fund to allow for new tax relief or the extension of other expiring tax provisions, if the cost of these measures is offset. And it calls for additional measures to close the tax gap, address offshore tax havens, and shut down tax scams.

The country must tackle major tax issues before the Bush tax cuts expire in 2010. The tax code will need to be simplified and reformed, so that rates can be kept low, while still generating enough revenue to allow for a sustainable fiscal policy over the long term. But given the Bush administration's refusal to work with Congress in a cooperative and bipartisan fashion on revenue issues, these simplifications and reforms are more likely to be addressed next year, once a new administration has taken office.

Supporting Our Troops

The Committee-reported resolution matches the President's core defense budget and the President's request for additional war costs. While the war funding request in the President's budget is insufficient for a full year's costs under his policy of a long-term commitment in Iraq, the Committee-reported resolution's war funding will cover expenses for about the first six months of the next administration, and longer still under the policies preferred by most Democrats in Congress.

Rejecting Bush / Republican Cuts in Domestic Priorities

The Committee-reported resolution rejects the President's proposals to again cut domestic priorities. In addition to making critical investments in energy, education, infrastructure, and health care, it provides badly needed resources in other key areas that have been underfunded by the Bush administration, such as veterans' medical care, first responders, law enforcement, and community development.

Beginning to Address Long-Term Fiscal Challenge

The nation faces a long-term challenge with the retirement of the baby boom generation. However, the rising cost of health care poses an even larger threat to our long-term budget outlook.

In an effort to appear to be addressing this issue, the President proposes deep cuts in Medicare and Medicaid. These cuts would shift costs and reduce access to health care, while doing little to address the underlying causes of the rising cost of health care. The Committee-reported resolution recognizes that a real solution to our long-term fiscal imbalance must address this underlying rising cost.

The Committee-reported resolution takes an important step to begin addressing this threat. It includes a comparative effectiveness reserve fund to allow for a new initiative to generate objective and credible research about the comparative effectiveness of different health care services and treatments. This research could be used by patients and providers to make better health care decisions, reduce ineffective care, and improve health outcomes. The budget also supports on-going comparative effectiveness research at the Agency for Healthcare Research and Quality. The Committee-reported resolution also includes a health care reform reserve fund so that legislation could be adopted to improve health care and provide quality health insurance for the

uninsured and underinsured.

The Committee-reported resolution also renews a point of order against increasing the long-term deficit, to prevent new mandatory spending and tax cuts that would worsen our long-term budget outlook.

The Committee-reported resolution recognizes that our long-term fiscal imbalance is a challenge too large to be handled by one party alone. Democrats and Republicans will need to come together to reach a balanced, bipartisan solution to this challenge.

The Congressional Budget Resolution

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

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

The Baseline

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

The Budget Committee uses as its baseline the projections made by the Congressional Budget Office (CBO) in its January 2008 *The Budget and Economic Outlook: Fiscal Years 2008 to 2018*, as revised and updated in CBO's March 2008 *Preliminary Analysis of the President's Budget Request for 2009*. In preparing those projections, CBO followed the rules and guidelines contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act).

For discretionary spending (which is controlled by annual appropriations acts), the baseline rules provide that projections assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2008), adjusted for inflation. These rules are the same for both emergency and nonemergency appropriations. For instance, the CBO March 2008 baseline projects throughout the baseline period the \$88 billion in emergency funding already provided for ongoing military operations and related defense spending in 2008, but does not assume the President's requested supplemental funding in 2008 of \$108 billion for ongoing military operations.

For mandatory spending and revenues, which are usually governed by permanent law and do not require annual Congressional action, the baseline rules generally require that projections reflect current law. There are exceptions. In the case of mandatory spending, programs in place in 1997 with outlays of \$50 million or more in the current year are assumed to continue throughout the baseline period even if they actually expire under current law. (Table 3-6 on pages 70 and 71 of CBO's January 2008 *The Budget and Economic Outlook: Fiscal Years 2008 to 2018* lists the programs that the baseline assumes will continue beyond their expiration dates.) In the case of revenues, any excise tax dedicated to a trust fund is assumed to continue in the baseline even if it is scheduled to expire under current law. The Committee notes that the baseline and scoring rules combine to treat mandatory spending and revenues in a symmetrical and equivalent manner. Whether spending or revenue, the budget rules ensure consistency. That is, sunset dates are either *ignored* at both stages (scoring of legislation and baseline) or *recognized* at both stages.

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

2. STIMULUS: Responding to the Economic Slowdown

The Democratic Congress has already moved swiftly to address the weakness in the economy, enacting a stimulus package in February with rebates for American workers and families, as well as for seniors and disabled veterans. The measure also provided incentives for businesses to boost investment spending.

Despite this stimulus, it is clear that more will be needed to provide lift to the economy and mitigate the impact of the slowdown on workers and families. The Committee-reported resolution, therefore, provides the option for \$35 billion for additional stimulus, including tax relief and mandatory and discretionary programs.

During the discussion of the first stimulus package, economists identified a number of effective means of stimulating the economy. Among those with the highest "bang for the buck" were unemployment benefits, Food Stamps, and state fiscal relief. The Committee-reported resolution assumes that the committees of jurisdiction will review these and other measures to help those hardest hit by the slowdown and to spur the economy toward recovery. Possible forms of additional stimulus could include:

- *Housing* – The Senate has already begun debate of the Foreclosure Prevention Act. This pending legislation includes funding for the Community Development Block Grant (CDBG) program to fund state initiatives to address the housing crisis. With budgets of state and local governments increasingly strained by the economic slowdown, the additional CDBG assistance will give states the opportunity to offer help. In addition, it provides funds for housing counseling to assist homeowners who are facing foreclosure and help them keep their homes. The measure also includes provisions recommended by the Senate Finance Committee to provide a one-year increase in mortgage revenue bond authority to the states and to assist homebuilders and other hard-hit businesses by extending the carry back period for net operating losses (NOLs) from two years to five years.
- *Unemployment Benefits* – As part of its initial stimulus package, the Senate Finance Committee recommended making unemployment benefits available for an additional 13 weeks for unemployed workers and providing an additional 13 weeks for those living in states with high unemployment.
- *Infrastructure* – During the first debate on stimulus, more than 3,000 "ready-to-go" infrastructure projects were identified. An investment in these projects will not only repair roads and bridges, but it will create jobs and improve economic growth, and start the process of reversing the Bush administration's underfunding of infrastructure.
- *LIHEAP and WIC* – Two programs that provide timely assistance to those most in need during an economic downturn are the Low-Income Home Energy Assistance Program (LIHEAP), which helps low-income families cope with rising energy bills, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC).
- *Summer Jobs* – The Summer Jobs program can provide an immediate stimulus to the economy, as teens will spend the money they earn. In addition to contributing to local economies, this program provides many teens with their first jobs, which can increase their long-term workplace prospects.

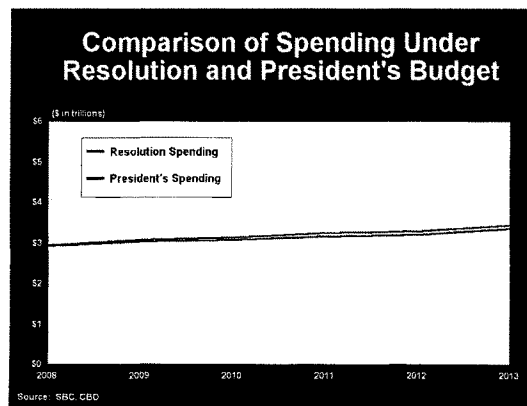
3. SPENDING

The Committee-reported resolution takes a fiscally-responsible approach to spending, while ensuring that we adequately fund our nation's priorities.

A. Discretionary

The Committee-reported resolution provides \$1,009.6 billion in budget authority and \$1,109.5 billion in outlays for discretionary programs in 2009. These totals exclude emergency and war funding.

The Committee-reported resolution enhances fiscal responsibility by establishing discretionary spending limits on budget authority and outlays for 2008 and 2009. For 2008, it provides a cap of \$1,055.5 billion in budget authority and \$1,093.3 billion in outlays. For 2009, it provides a cap of \$1,008.5 billion in budget authority and \$1,108.4 billion in outlays. For 2009, the Committee-reported resolution permits adjustments to this cap for certain program integrity efforts. These adjustments would bring funding, excluding emergency and war funding, up to the level assumed in the Committee-reported resolution (further discussion of cap adjustments is included in the "Budget Enforcement" section of this document).



Including emergency and war funding, total discretionary spending will fall over the five-year period from 8.0 percent of GDP in 2009 to 6.2 percent in 2013.

Defense and War Costs

As it did last year, the Committee-reported resolution fully funds the President's core defense budget request over the five-year budget window. It also fully funds the President's request for \$70 billion in additional war funding for 2009 and assumes the enactment of the President's pending 2008 war funding request.

The Committee-reported resolution provides for a 3.4 percent pay raise for military personnel, and

again rejects the President's proposals for new TRICARE enrollment fees and deductibles for military retirees under the age of 65.

The National Guard has a long history of outstanding service to our nation, and our nation's reliance on the Guard has only increased since September 11, 2001. The Committee-reported resolution assumes that the Department of Defense will provide at least \$49.1 billion to recruit, train, equip, and sustain National Guard and Reserve units. The Chairman encourages the Appropriations Committee to identify additional resources within the defense budget to address critical needs for National Guard equipment left unfunded in the President's budget.

The Committee-reported resolution also assumes no less than \$5.8 billion in funding for the Defense Environmental Cleanup account, an increase of \$500 million compared to the President's request. The environmental management program is charged with efficiently cleaning up the environmental damage resulting from 50 years of nuclear weapons production. The President's budget underfunded cleanup efforts at several major sites addressed under this program including Hanford, Idaho Falls, Oak Ridge, and Savannah River. This increase brings total environmental management funding for nuclear site cleanup (including amounts in other budget functions) to \$6.4 billion.

The administration has unfortunately abandoned its earlier commitment to include war costs in its budget request and continues to seek war funding as an emergency, five years into the war in Iraq. Without a good faith estimate of war costs, it will be very difficult for the Committee to accurately assess the budgetary environment. The Armed Services and Foreign Relations Committees have indicated that they believe these costs should no longer be handled on an emergency basis. Therefore, the Committee-reported resolution includes a \$70 billion cap adjustment provision that allows the Chairman to revise the discretionary spending cap for non-emergency appropriations related to the wars in Iraq and Afghanistan. The Committee-reported resolution's levels of deficits and debt assume that this cap adjustment is fully utilized, but the existence of this cap adjustment would not prevent further war funding on an emergency basis if war costs exceed the allotted level.

The Committee-reported resolution also includes a program integrity cap adjustment dedicated to reducing waste in defense contracting. The cap adjustment allows the Chairman of the Budget Committee to increase the discretionary spending cap by up to \$100,000,000 to accommodate legislation appropriating funding for the Department of Defense for additional activities to reduce waste, fraud, abuse and overpayments in defense contracting; achieve the legal requirement for the Pentagon to submit auditable financial statements; or reduce waste by improving accounting for and ordering of spare parts. When billions of dollars are wasted due to poor contracting practices, ordering of unneeded spare parts, or other waste, fraud and abuse, it is our troops that suffer.

Domestic Discretionary

The Committee-reported resolution provides \$436.2 billion for overall domestic discretionary funding in 2009 (excluding emergencies and war costs). This represents an increase in an area badly underfunded by the Bush administration.

Energy

Our nation currently relies on imports for approximately 60 percent of our oil, and this trend is expected to continue well into our future. Since President Bush came into office, the price of oil has climbed from \$30 per barrel to over \$100 per barrel. Our dependence on imported energy is also a driving force behind our trade deficit. In 2007, imported petroleum products accounted for almost half of our trade deficit. As a result, we are becoming increasingly vulnerable to oil supply

disruptions and instability in other parts of the world.

These challenges require a significant commitment of resources to a strategy to reduce our dependence on imported energy. In 2005 and 2007, Congress took the first steps by passing two comprehensive energy bills. While the President signed these bills into law, he has not adequately funded these programs in his 2009 budget. The Committee-reported resolution corrects this mistake by providing \$8.45 billion in 2009 discretionary funding to invest in clean energy, create green collar jobs in our communities, and reduce our dependence on imported energy. This would represent the highest discretionary spending level for the energy function since 1981.

The Committee-reported resolution assumes approximately \$2 billion for the Department of Energy's Energy Efficiency and Renewable Energy program. This funding level is \$738 million above the President's request and would accommodate significant increases for programs such as wind, solar, geothermal, biomass and biorefinery R&D, hydrogen, and vehicle/ building technologies. This funding level would also provide \$450 million for the Weatherization Assistance Program, a program which was zeroed out in the President's budget. The Committee-reported resolution also significantly increases funding for the Energy Efficiency and Conservation Block Grant Program and Energy Grants for Universities and Institutions.

The Committee-reported resolution includes \$2.7 billion to invest in green jobs in our nation's communities. This funding level could accommodate significant increases in a variety of loan guarantee and grant programs which would fund energy efficiency and conservation activities, the production of fuel efficient vehicles, worker training programs, and biofuels production. These programs were authorized in the Energy Independence and Security Act of 2007 and not adequately funded in the President's budget. The Committee-reported resolution believes that funding these programs will move our nation towards energy independence, cleaner energy, and energy efficiency while also developing new industries and creating green jobs. The Committee-reported resolution also assumes funding increases for similar programs authorized in the Energy Policy Act of 2005.

The Committee-reported resolution also includes significant increases for fossil energy R&D. This funding would provide additional resources for programs such as carbon sequestration and clean coal research.

The Committee-reported resolution significantly increases funding for DOE's Office of Electricity Delivery and Energy Reliability. The funding increase would be used to modernize the electric grid, enhance security and reliability of energy infrastructure, and facilitate recovery from disruptions to energy supply. The Committee-reported resolution also includes a reserve fund which could be used for legislation to improve our nation's energy infrastructure.

The Committee-reported resolution recognizes the importance of the Bureau of Reclamation rural water program to support ongoing Municipal, Rural, and Industrial (MR&I) systems for the Great Plains Region. The Bureau of Reclamation supplies drinking water to 2.6 million people in the Great Plains region and is encouraged to prioritize the completion of the Pick Sloan-Missouri Basin Program--Garrison Diversion Unit, Mni Wiconi, Lewis and Clark, Perkins County, Fort Peck Reservation/Dry Prairie, and Rocky Boy's/North Central rural water system projects. The Committee-reported resolution supports funding these vital rural water development projects at a level that is as close to \$306 million as possible.

Education and Training

The Committee-reported resolution recognizes that strong education and training programs at all levels are critical for building a highly skilled workforce that can compete in the global marketplace.

It makes this effort a high priority by providing an increase for discretionary education and training funding of \$8.8 billion above the President's request, or \$5.5 billion above the 2008 level adjusted for inflation.

The Committee-reported resolution rejects the President's proposed cuts in education, training and social services, including his proposal to eliminate 48 education programs and slash resources for the Corporation for Public Broadcasting. It assumes that additional funding will be invested in critical areas from birth through post-secondary education, including Head Start; key programs authorized by the No Child Left Behind Act, especially Title I; the Individuals with Disabilities Education Act (IDEA); Pell Grants; and job training. The increased investments will:

- ensure that more preschool children will be ready for school;
- help grade schools, middle schools, and high schools close achievement gaps, increase graduation rates, and reduce the need for remedial education;
- ensure that all schools can attract, train, and retain high-quality teachers and reduce class sizes;
- keep our commitment to educate students with disabilities;
- expand access to higher education by making college more affordable;
- ensure that employers have increasingly well-educated employees that can compete in the global marketplace; and,
- expand job training opportunities to help workers respond to shifts in the economic landscape, including training for green jobs.

With regard to the Department of Education, the Committee-reported resolution increases overall funding by \$5.4 billion above the President's requested level. This level is \$4.8 billion, or 8 percent, above the 2008 level adjusted for inflation. In contrast, the President cuts Department of Education funding by \$612 million in 2009, or one percent, below the 2008 inflation-adjusted level. To help schools meet the requirements of the No Child Left Behind Act and IDEA, the Committee-reported resolution provides the largest increase for elementary and secondary education programs since 2002.

Infrastructure

The Committee-reported resolution recognizes that the nation's infrastructure is crumbling. Roads, bridges, transit systems, airports, and schools are strained and face overcrowding and disrepair. The collapse of the Interstate 35 bridge in Minneapolis last summer was a wake up call. The underfunding of our infrastructure is hurting our economy, inhibiting our ability to compete globally, and costing lives.

The Committee-reported resolution addresses this problem with a significant investment in our nation's infrastructure. This investment will create jobs; improve economic growth, productivity, and global competitiveness; help reduce traffic and airport delays; improve transportation safety; and reverse the Bush administration's underfunding of infrastructure.

In total, the Committee-reported resolution provides almost \$9 billion more than the President in 2009 for transportation, water, and energy infrastructure investments, with increases continuing in the outyears.

The Committee-reported resolution fully funds the highway, safety, and transit programs authorized in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU). It provides almost \$7 billion more than the President's budget for key transportation accounts, and provides an additional \$3.5 billion in stimulus in 2008 for "ready-to-go" infrastructure projects.

The Committee-reported resolution also provides significant funding increases for programs such as: the Army Corps of Engineers; the Bureau of Reclamation; the Environmental Protection Agency's Clean and Safe Drinking Water State Revolving Funds; and the Department of Energy's Office of Electricity Delivery and Energy Reliability.

The Committee-reported resolution also includes increases sufficient to fully fund ongoing Everglades Restoration Activities at the Army Corps of Engineers and the Department of Interior. These additional funds are provided to commence construction of the Indian River Lagoon which received only planning funding in the President's request. Additionally, these funds will provide increases to Modified Water Deliveries, the C-111 canal, and the Kissimmee River Restoration, all critical components of Everglades Restoration.

The Committee rejects the President's proposal to cut crucial Great Lakes funding. The Committee recognizes the importance of the Great Lakes, as they make up 90% of the United States surface fresh water and serve as a source of drinking water for over 35 million people. The Committee also recognizes that the approximately 5,000 miles of U.S. shoreline along the Great Lakes is greater than that of either the Eastern or Western seaboard. Unfortunately, the Great Lakes continue to face unique and challenging problems such as toxic sediment remediation, invasive species, non-point source pollution, and habitat loss. The Committee-reported resolution includes \$175 million for Great Lakes programs including the Great Lakes Legacy Act, the Great Lakes Fish and Wildlife Restoration Act, Great Lakes fishery and Ecosystem Restoration, Remedial Action Plan (RAP) Assistance, Great Lakes Environmental Research Lab and the Great Lakes Basin Program.

And the Committee-reported resolution provides a deficit-neutral reserve fund to accommodate major infrastructure legislation, such as establishing a National Infrastructure Bank or bonding program, which would provide a sustained robust federal investment in infrastructure.

Veterans

Over the past several years, the President has consistently underestimated the needs of veterans, and Congress has made up the shortfall. In 2005, the President's budget underfunded the Veterans Health Administration, which required Congress to pass two supplemental funding bills. Last year, the nation was shocked to learn of the mistreatment of soldiers recuperating from wounds at the Walter Reed Army Medical Center. To address these and other funding shortfalls in the President's budget, last year's Democratic Budget Resolution paved the way for the largest funding increase in the Department of Veterans Affairs' history.

Once again, the Committee-reported resolution recognizes the deep debt our nation owes to those who have served in defending our country and continues to provide critical resources to ensure that they get the quality health care they deserve. The Committee-reported resolution provides \$48.2 billion in 2009 for discretionary veterans programs, including medical care. This amount is \$3.2 billion more than the President's proposed funding level. The funding in the Committee-reported resolution will ensure that the Veterans Health Administration within the Department of Veterans Affairs (VA) can provide the highest quality health care for all veterans.

The Committee-reported resolution also recognizes the difficulties veterans leaving active duty have in transitioning their medical records to the VA. These administrative disconnects can have dramatic and sometimes dire consequences on our young men and women when they leave the military. It is also difficult for the VA to evaluate and treat veterans because the VA may not have a complete medical record. Therefore, the Committee-reported resolution supports efforts to implement fully the Wounded Warrior Act, Section 1635 in the National Defense Authorization Act. This provision requires the Department of Defense and the VA to develop a "fully interoperable

electronic personal health information system" and create a "joint program office" to oversee the creation of this new health care system.

Additionally, the Committee-reported resolution recognizes that the President's proposed funding for VA major construction projects will result in significant delays and cost-growth to on-going projects. Therefore, the Committee-reported resolution provides robust resources for VA major projects. The Committee-reported resolution also notes the importance of medical research at the VA, including the Air Force Health Study, and provides the resources for this important priority. The Committee-reported resolution also supports robust funding for State Veterans Cemeteries.

COPS

The Committee-reported resolution rejects the President's proposal to eliminate the Community Oriented Policing Services (COPS), a cut of \$599 million below the 2008 level adjusted for inflation. This marks the sixth straight year that the President has proposed massive cuts to this program, leaving Congress to make up the difference. The Committee-reported resolution instead funds the COPS program at the 2008 inflation-adjusted level. The COPS program has put over 100,000 police officers in communities across the country. It provides valuable support for communications and equipment needs of local law enforcement. And this program has been critical in helping local law enforcement efforts, particularly in rural areas, to fight the production, distribution and use of methamphetamine.

Byrne/JAG

The Committee-reported resolution includes \$520 million for the Byrne/Justice Assistance Grant (JAG) program. This represents an increase of \$350 million above the 2008 enacted level, and equals the 2007 enacted level. The Byrne/JAG program is a formula grant program that provides funding directly to local law enforcement agencies and may be used to provide personnel, equipment, training, technical assistance, and information systems for more widespread apprehension, prosecution, adjudication, detention, and rehabilitation of offenders who violate state and local laws. The President's budget proposed to eliminate this formula grant program.

FBI Background Checks

The Committee-reported resolution recognizes that long, sometimes indefinite waiting periods for the processing of background checks and immigration applications can have the effect of discouraging legal immigration. Therefore, the Committee encourages the U.S. Citizenship and Immigration Service and the Federal Bureau of Investigation to make the current application process for naturalizing prospective citizens as efficient as possible, with the ultimate goal of eliminating the existing backlog of applications.

FOIA Office

The Committee-reported resolution rejects the President's proposal to fund activities related to the recently-passed OPEN Government Act at the Department of Justice instead of at the National Archives. The President's request would undermine efforts to provide more independence and avoid conflict of interest in carrying out Freedom of Information Act (FOIA) responsibilities. The Committee-reported resolution assumes that the Office of Government Information Services at the National Archives will be established, as required under the law.

Homeland Security

The Committee-reported resolution rejects the President's efforts to shortchange our nation's first responders by cutting grant programs at the Department of Homeland Security (DHS). For example, the President proposes to cut Firefighter Grants by \$463 million and State formula grants by \$705 million below the 2008 level adjusted for inflation (excluding emergency funding). The Committee-reported resolution provides sufficient funding to keep these programs at the 2008

level adjusted for inflation.

In addition, the Committee-reported resolution provides \$200 million for interoperable communications grants authorized by the Implementing the 9/11 Commission Recommendations Act of 2007. The act established a new grant program to assist states in improving interoperable communications, including communications in collective response to natural disasters, acts of terrorism, and other man-made disasters.

The Committee-reported resolution also rejects the President's proposed cuts for other priority homeland security programs including port security grants and transit and rail security grants.

DHS Headquarters

The Committee-reported resolution includes full funding of the President's proposal to fund construction a new headquarters for the Department of Homeland Security. In total, the Committee-reported resolution assumes \$467 million with \$120 million for DHS and \$347 million for the General Services Administration.

Community Development

The Committee-reported resolution rejects the President's proposal to cut Department of Housing and Urban Development (HUD) community development funding (including the Community Development Block Grant (CDBG) program) by \$932 million, or 24 percent, below the 2008 level adjusted for inflation. As communities across the country experience the effects of the economic slowdown, the President's proposed cuts are particularly shortsighted. The Committee-reported resolution instead funds HUD community development programs at \$4 billion, an increase above the 2008 inflation-adjusted level of \$68 million. HUD funds several programs to support community development, the largest of which is the CDBG program, which is the largest source of federal grant assistance in support of state and local government housing and community development efforts.

LIHEAP

The Committee-reported resolution rejects the President's proposal to cut the Low Income Home Energy Assistance Program (LIHEAP) by \$359 million, or 15.2 percent, below the 2008 level adjusted for inflation. It instead funds LIHEAP at \$2.5 billion, \$141 million above the 2008 level adjusted for inflation and \$500 million above the President's request. In addition, the Committee-reported resolution includes an additional \$600 million for LIHEAP in 2008. These increased funds for LIHEAP will help to continue providing heating and cooling assistance to over five million low-income households, including the working poor, disabled persons, elderly, and families with young children. According to the Congressional Research Service, when LIHEAP began in 1983, approximately 6.8 million households, or 31 percent, of the 22.2 million federally eligible households received heating assistance. In 2005, the most recent year for which data are available, only 5.3 million, or 15.2 percent, of the 34.8 million eligible households received heating assistance.

Amtrak

As part of the recognition that investments in infrastructure are important to economic growth, the Committee-reported resolution provides \$1.8 billion for AMTRAK, a funding level that is \$1 billion above the President's request and \$453 million above the 2008 level adjusted for inflation. As in previous years, the President's request would significantly underfund AMTRAK and is well below the level Congress typically appropriates. AMTRAK is a vital part of our nation's mobility and is one of the most environmentally-friendly modes of travel. As AMTRAK continues to grow its marketshare in key areas, this robust investment will continue to help AMTRAK enhance its operations, replace aged and damaged capital stock, and increase connectivity across the

country.

Social Security Administration

The Committee-reported resolution provides \$240 million more than the President's proposed 2009 funding level for Social Security Administration (SSA) administrative expenses. Separately, the Committee-reported resolution assumes \$150 million in additional one-time funding in 2008 for SSA administrative expenses. Both of these increases are intended to address the large backlog in disability claims and hearings, as well as other backlog workloads for which additional resources are needed.

In four of the last five fiscal years, the enacted appropriation for SSA's administrative budget has been funded below the President's request by \$200 million to \$300 million per year. The result had been a significant increase in the backlog of disability claims and a declining level of service at SSA field offices.

Last year, the concurrent resolution on the budget provided \$430 million more than the President's 2008 request for the SSA administrative budget; ultimately, in the Consolidated Appropriations Act of 2008, Congress appropriated \$150 million more than the President's 2008 budget request for the SSA administrative budget. The purpose of this additional funding was to address the disability claims and hearings backlog. While this additional funding may prevent the level of backlogs from continuing to grow worse, additional funding beyond the President's request is needed to reduce and eventually eliminate the backlog.

Housing Assistance

The Committee-reported resolution rejects the President's proposal to cut various housing assistance programs below the 2008 level adjusted for inflation, including cuts to the Public Housing Capital Fund (-\$454 million), Hope VI Distressed Housing Program (-\$100 million), Housing for the Disabled (-\$82 million), Housing for the Elderly (-\$208 million), and the Section 8 tenant-based Housing Choice Voucher program (-\$562 million). In addition, the Committee-reported resolution includes \$2.8 billion for Section 8 housing assistance in order to address the shortfall in funding for the project-based Section 8 program. The Banking, Housing, and Urban Affairs Committee has advised that HUD is requiring private owners to sign short-term, 3- or 4-month contracts for federal funding due to the funding shortfall. The additional funding would stabilize the project-based program and preserve thousands of affordable housing units which might otherwise be lost.

Community Health Centers

The Committee-reported resolution provides \$2.9 billion for Federally Qualified Health Centers (FQHCs) in 2009. This is \$756 million above the 2008 level adjusted for inflation and \$798 million more than the President's request. These health centers are community-based providers of comprehensive primary and preventive health care that serve more than 16 million people, many of whom are uninsured or are on Medicaid.

Health Professions & National Health Service Corp

The Committee-reported resolution provides \$369 million for the Health Professions program in 2009, a funding level that is \$45 million above the 2008 level adjusted for inflation and \$303 million more than the President's request. In addition, the Committee-reported resolution includes \$248 million for the National Health Service Corps, an amount \$123 million above the 2008 level adjusted for inflation and \$127 million more than the President's request.

Patient Navigator Demonstrations

The Committee-reported resolution provides \$19 million to support demonstration programs to

provide patient navigator services as authorized in the Patient Navigator, Outreach, and Chronic Disease Prevention Act under the Health Resources and Services Administration. Patient navigators guide individuals through today's complex health care system and help them overcome barriers to care, increase prevention and early detection, and improve health outcomes of patients, especially in underserved communities. The demonstration program would fund patient navigator services through Community Health Centers, National Cancer Institute Centers, Indian Health Service centers, and Rural Health Clinics.

Postpartum Depression Funding

The Committee-reported resolution includes funding within the Department of Health and Human Services to support research into the causes, diagnoses and treatments for postpartum depression and to help raise awareness and deliver services for individuals with postpartum depression.

Rural Health Activities

The Committee-reported resolution provides \$178 million for Rural Health Activities in the Health Resources and Services Administration (HRSA) – a \$154 million increase above the President's request. The President's budget proposes \$25 million for Rural Health activities, a \$154 million (86 percent) cut from what is needed to maintain the funding at the 2008 level adjusted for inflation. This cut includes the elimination of the Rural Access to Emergency Devices (\$1 million), Rural Hospital Flexibility grants (\$39 million), Rural Outreach grants (\$49 million), the Denali Commission (\$39 million), and the Delta Health Initiative (\$25 million). The Committee-reported resolution rejects these cuts.

National Institutes of Health

The Committee-reported resolution provides \$30.0 billion for the National Institutes of Health (NIH) in 2009. This is \$400 million above the 2008 level adjusted for inflation and \$950 million more than the President's request.

Indian Health Service

The Committee-reported resolution provides \$3.9 billion for the Indian Health Service (IHS) in 2009, a funding level that is \$536 million above the 2008 level adjusted for inflation and \$633 million more than the President's request. The Committee-reported resolution also rejects the President's proposal to eliminate the Urban Indian Health Program (\$35 million).

Food and Drug Administration

The Committee-reported resolution provides \$2.1 billion for the Food and Drug Administration (FDA) in 2009. This is \$304 million above the 2008 level adjusted for inflation and \$307 million more than the President's request.

Supplemental Nutrition Program for Women, Infants, and Children

The Committee-reported resolution provides \$6.5 billion for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) in 2009, a funding level that is \$784 million above the 2008 level adjusted for inflation and \$400 million more than the President's request. In addition, the Committee-reported resolution includes an additional \$300 million for WIC in 2008.

Agriculture Research

The Committee-reported resolution rejects the President's proposed cuts and program terminations in both intramural and extramural agriculture research administered by the Department of Agriculture. It assumes that the additional funding will be invested in critical areas pertaining to crop production, pest control, renewable energy, food safety and health and nutrition

research.

Child Care Development Block Grant

The Committee-reported resolution provides \$2.5 billion for the Child Care Development Block Grant in 2009. This is \$406 million above the 2008 level adjusted for inflation and \$441 million more than the President's request.

Global Climate Change

The Committee-reported resolution includes a reserve fund which could be used for legislation addressing global climate change. The Committee-reported resolution also rejects the President's cuts to a variety of discretionary programs which fund climate change research.

Environmental Protection

The Committee-reported resolution includes approximately \$7.9 billion for the Environmental Protection Agency. This funding level will accommodate significant increases for programs such as Superfund and EPA's programs to support clean and safe drinking water. The Committee-reported resolution rejects the President's proposal to cut a variety of environmental protection programs.

U.S. Chemical Safety and Hazard Investigation Board

The Committee recognizes the importance of funding the U.S. Chemical Safety and Hazard Investigation Board (CSB) at the level which they requested - \$10.6 million. The Chemical Safety Board is an independent, non-regulatory federal agency that investigates accidents at chemical plants, oil refineries and other industrial facilities. The bulk of the funding increase requested by the board will go toward hiring three new chemical incident investigators; expanding the Board's public outreach program to support production of effective educational safety videos; and establishing a small office to conduct nationwide studies on significant chemical safety issues. This funding will expand the Board's capacity and effectiveness, and improve safety for workers at chemical facilities and the surrounding communities.

General Services Administration Office of Federal High Performance Green Buildings

The Committee recognizes the importance of fully funding the General Services Administration's Office of Federal High Performance Green Buildings. This office will coordinate existing efforts and take steps to ensure that the buildings owned and leased by the federal government have good air quality, are energy efficient, and are maintained in a sustainable way.

Public Lands

The Committee-reported resolution rejects the President's cuts to numerous programs at the Department of Interior and the Forest Service. The Committee-reported resolution reflects concerns that, in recent years, the President's budget has significantly underestimated fire suppression costs. The Committee-reported resolution also responds to concerns that increasing fire suppression costs are having a negative impact on funding levels for other discretionary programs at agencies such as the Forest Service. The funding levels in the Committee-reported resolution assume that if the severity of the fire season requires additional funding, wildland fire suppression activities will be funded for 2009 at no less than \$500 million above the ten-year average.

NASA

The Committee-reported resolution funds the National Aeronautics and Space Administration (NASA) at \$18.7 billion, \$1.0 billion above the President's 2009 request. This level of funding reflects the ongoing need to reimburse NASA for the catastrophic loss of Space Shuttle Columbia as well as the costs of investigating the Columbia tragedy. For the agency, this represents an

increase of \$1.2 billion, or 6.8 percent, above the 2008 level adjusted for inflation.

The United States' goals for space exploration were defined in the President's "Vision for Space Exploration" and included in the National Aeronautics and Space Administration Authorization Act of 2005, which is scheduled to be updated and renewed during the current session of Congress. The Committee-reported resolution recognizes the importance of our nation's space program and endorses the Act's balanced goals of exploration, science, and aeronautics. The Act calls for retirement of the Space Shuttle by 2010 and launching the Crew Exploration Vehicle (CEV) as close to 2010 as possible. NASA currently projects that the CEV will not be operational before 2015, thus creating a five-year gap in U.S. human space flight capability. The Committee-reported resolution recognizes the strategic importance of uninterrupted access to space and supports efforts to reduce or eliminate this five-year gap in U.S. human space flight.

Katrina Recovery

The Committee-reported resolution includes \$5.8 billion in FY 2009 emergency funding for the Corps of Engineers to continue its Katrina-related recovery work in Louisiana.

Contribution to the Global Fund to Fight AIDS, Tuberculosis, and Malaria

The Committee-reported resolution assumes a \$1.35 billion U.S. contribution to the Global Fund.

Increased Funding for Refugee Assistance

The Committee-reported resolution assumes supplemental funding in 2008 to address international appeals for assistance for Iraqi refugees, and for victims of humanitarian disasters in Africa and the Middle East.

Manufacturing Extension Program

The President's budget proposes to eliminate funding for the Manufacturing Extension Program (MEP), which helps small businesses adopt advanced manufacturing technologies. The Committee-reported resolution rejects elimination of MEP funding and restores the funding to this vital program to the level authorized in the America COMPETES Act.

B. Mandatory

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

Kids' Health - SCHIP

The Committee-reported resolution recognizes that providing for our children's health care should be one of the most important priorities of our nation. It therefore rejects the inadequate funding level proposed by the President for reauthorization of the State Children's Health Insurance Program (SCHIP).

The President proposes to provide a net increase of \$19.7 billion over five years. The President's proposal is unlikely to provide sufficient funding to cover all children currently enrolled in SCHIP, let alone provide coverage to children who are currently eligible but not enrolled in the program.

The FY 2008 Budget Resolution included a deficit-neutral reserve fund that provided the Finance Committee with the flexibility it needed to develop a bipartisan approach to addressing the needs of millions of uninsured children. The bipartisan SCHIP bills that were passed by the Congress in 2007 and vetoed by the President would have provided coverage to more than 3.8 million children who would otherwise have been uninsured. The Committee-reported resolution once again provides a deficit-neutral reserve fund for up to \$50 billion in order to expand coverage of the

estimated six million children eligible but not enrolled in either SCHIP or Medicaid, and maintain coverage for all currently-enrolled children.

Medicaid Regulation Moratoria

The Committee-reported resolution includes the cost of extending the moratoria on several Medicaid regulations and the August 17, 2007 SCHIP directive. The Committee-reported resolution provides funding for the consideration of a stimulus bill to provide lift to the economy and mitigate the impact of the slowdown on workers and families. The spending for the delay in the implementation of these Medicaid regulations and SCHIP directive serves to reinforce the efforts of the stimulus package included in the Committee-reported resolution.

Medicare / Savings

The Committee-reported resolution provides \$1.325 billion in Medicare savings in 2013, allowing for legislation to delay the Medicare trigger. The savings from this assumption could be achieved from changes in the Medicare Advantage program or in the traditional Medicare fee-for-service program.

Medicare / Extension of Expiring MMA and DRA Provisions

The Medicare, Medicaid, and SCHIP Extension Act of 2007 temporarily extended several expiring provisions from the Medicare Modernization Act of 2003 (MMA), including provisions that are critically important to rural health providers, and from the Deficit Reduction Act (DRA), including the establishment of an exceptions process for beneficiaries who need additional outpatient therapy services. These provisions will expire if not extended again this year. The Committee supports addressing these expiring provisions in a deficit-neutral manner.

Medicare / Kidney Care

The Committee recognizes the importance of high quality kidney care to Medicare beneficiaries and urges review of the impact on patient care that the lack of an automatic annual update for dialysis, as well as a lack of patient education, has had on beneficiaries.

Education and Training

The Committee-reported resolution recognizes that education is critically important to maintaining our nation's competitiveness in today's globalized economy and promoting long-term economic growth. It provides a deficit-neutral reserve fund to facilitate legislation to rebuild crumbling schools, reauthorize the Higher Education Act, increase the maximum Pell grant, and expand and improve education-related tax credits and deductions. These initiatives serve the national interest by creating state-of-the-art schools, supporting teachers, and improving college affordability to reduce the indebtedness of student borrowers, and ensure that students can obtain a post-secondary education.

The Committee-reported resolution rejects the proposal in the President's budget to cut the Social Services Block Grant program.

Veterans

The Committee-reported resolution rejects the President's additional fees on priority level 7 and 8 veterans for health care they have earned. Instead of using the additional money to offset the VA discretionary spending and provide more services for veterans, the President directs the collected fees into the general Treasury. The President has previously proposed similar fees, and Congress has rejected them. The VA has estimated that if the enrollment fee and the increase in pharmacy co-payments were enacted, over 111,000 veterans would leave the VA health care system.

Farm Bill

With the 2002 Farm Bill expiring, the Committee-reported resolution provides a deficit-neutral reserve fund for the reauthorization of agricultural programs. To address the needs of rural America and promote new sources of renewable energy from U.S. farm products, it would allow for a \$15 billion increase in mandatory agriculture funding between 2008 and 2013, provided that this increase is fully paid for. The reauthorization of the Farm Bill will provide an economic safety net for agricultural producers, enhance the stewardship of our natural resources, address domestic nutrition needs, increase agricultural research, and improve our export competitiveness.

Arctic National Wildlife Refuge & Land Sales

The Committee-reported resolution rejects the President's proposal to permit oil and gas leasing in the Arctic National Wildlife Refuge (ANWR) and does not assume savings from the proposal. The Committee-reported resolution also does not assume any savings from the President's proposal to sell federal lands.

Power Marketing Administration Receipts

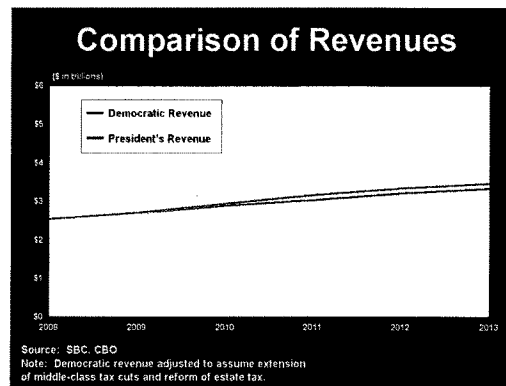
The Committee supports consideration by the Budget Committees of the reclassification of receipts for the annual operating expenses of Southeastern, Southwestern, and Western Area Power Administrations (PMAs). By reclassifying the receipts, power rates will become more closely linked to the annual appropriations they fund. This direct link will promote long-term planning and improve the overall efficiency and reliability of the Federal power program. The Committee will continue to work with the Budget Committees and the administration to consider reclassification of these receipts.

Pick-Sloan Cost Reallocation

The Committee once again rejects the proposal in the President's budget to reallocate the repayment of the capital costs of the Pick-Sloan Missouri Basin irrigation program to power customers. The Committee remains concerned that this proposal will lead to higher rates for rural power customers.

4. REVENUES

The Committee-reported resolution balances the budget without a tax increase. It reduces taxes on the middle class by ensuring that the Alternative Minimum Tax (AMT) does not hit more taxpayers in 2008. It also provides targeted tax relief to address the current crisis in the housing market, to make college more affordable, and to promote alternative energy technologies. At the same time, it raises enough revenue to meet the nation's most urgent needs and to put the budget on a more sustainable long-term fiscal path. And it sets the stage for tax simplification and reform.



AMT Relief

The Committee-reported resolution takes steps to prevent the spread of the Alternative Minimum Tax, so that it does not impose higher taxes on middle-class families. It provides AMT relief for 2008, as the President requested. We agree with the President that "the longer term solution to the problems associated with the individual AMT is best addressed within the context of other reforms to the tax system." Such reforms, as the administration acknowledges, would be revenue neutral. Under the Committee-reported resolution, the number of taxpayers subject to the AMT would not be allowed to increase – protecting more than 20 million taxpayers from being subjected to the AMT in 2008.

Housing

The Committee-reported resolution gives Congress the option to provide additional stimulus, although details are up to the committees of jurisdiction. The Senate recently debated the Foreclosure Prevention Act. One provision would give states a one-year \$10 billion increase in mortgage revenue bond authority to be used to refinance subprime loans, provide mortgages for first-time homebuyers, and for multifamily rental housing. Interest earned on such bonds would also be exempted from the AMT in order to attract more investors. The other proposal would extend the carry back period for net operating losses (NOLs) from two years to five years for NOLs arising in taxable years beginning or ending in 2006, 2007, and 2008. This proposal would be especially helpful to industries like homebuilding, where the recent real estate downturn is resulting

in reduced access to critical financing that builders need to run their business and keep people employed.

Education, Energy, and Extenders

The Committee-reported resolution includes the effects of a variety of tax provisions that it expects Congress will address this year. These include:

- *Education* – The Committee-reported resolution assumes Congress will provide tax relief to make a college education more affordable. The Committee-reported resolution could accommodate expansion and reform of the deduction for qualified education expenses and the HOPE tax credit. It could also provide for the extension and reform of other education tax provisions such as the deduction for teacher classroom expenses, the deduction for student loan interest, and bonding initiatives to modernize school facilities.
- *Energy* – The Committee-reported resolution could accommodate energy tax provisions that encourage the development of renewable energy, reduce dependence on foreign energy supplies and bolster domestic supplies, support the use of alternative vehicles, and promote more conservation and energy efficiency.
- *Extenders* – The Committee-reported resolution assumes that expiring tax provisions that have been routinely extended in the past will be extended. These provisions include, for instance, the research and experimentation tax credit and the deduction for state and local sales tax.

The Committee-reported resolution assumes the Senate Finance Committee will develop an appropriate set of offsets so that these tax provisions are paid for. In addition to reflecting the budget impact of these education tax proposals, the Committee-reported resolution includes deficit-neutral reserve fund language to facilitate their consideration on the floor.

Reserve Fund For Tax Relief

In general, the Committee-reported resolution allows for tax relief, including the extension of the expiring provisions, as long as the cost of these measures is offset. A reserve fund is included to ensure that such revenue-neutral tax measures do not face points of order, so long as they are paid for.

Closing Tax Gap, Shutting Down Tax Shelters, and Addressing Offshore Tax Havens

The Committee-reported resolution calls for collecting taxes that are already due, while at the same time improving taxpayer services for honest citizens who need help complying with the code.

The Committee-reported resolution assumes that Congress will take aggressive steps to close the tax gap, the amount of taxes owed under current law but not collected. According to the IRS's latest estimate, the tax gap in 2001 was \$345 billion. In the years since 2001, it is likely that the tax gap has grown even larger. And this total does not even include the tax revenue that is lost each year as a result of the billions of dollars hidden in offshore tax havens and shelters.

Closing the tax gap is not about raising taxes on anyone. It is simply collecting taxes that are already due under current law. While we will never be able to close the tax gap entirely, it is clear that much more can and should be done. To help close the tax gap, the House and Senate tax-writing committees crafted a number of well-designed measures last year to boost compliance. Unfortunately, the Bush administration has blocked enactment of many of these provisions. But failure to move forward on these provisions only means that honest taxpayers continue to unfairly bear a higher tax burden – effectively a surtax averaging about \$2,700 per taxpayer, according to the National Taxpayer Advocate.

In addition to supporting steps to increase reporting and withholding requirements, the Committee-reported resolution fully funds the President's budget request for the IRS and includes the President's request for additional resources for IRS enforcement. Including a \$490 million discretionary cap adjustment, the budget resolution would direct approximately \$7.5 billion to IRS enforcement activities. A similar cap adjustment was included in the 2008 budget, but it was never enacted into law because the funding levels could not be accommodated within the inadequate appropriations total that the administration insisted on.

Setting the Stage for Tax Simplification and Reform

The revenue levels in the Committee-reported resolution assume that Congress will take steps to counter the effects of the expiration of tax cuts in 2010 in a manner that achieves the goal of balancing the budget in 2012 and 2013. Last year, the Senate overwhelmingly approved an amendment relating to middle-class tax cuts and reform of the estate tax. If a similar amendment were offered and adopted again this year, the resulting revenue levels in the resolution would be about 2.6 percent above revenues in the President's budget over the next five years.

In general, the Committee-reported resolution recognizes that the country must tackle major tax issues before the Bush tax cuts expire in 2010, but that these issues are more likely to be addressed next year with a new administration. This administration has shown no interest in working with Congress in a bipartisan manner to tackle fundamental tax issues, preferring instead to support only the extension of its tax cuts. It is worth remembering that the problem of these tax cuts expiring was created by a Republican-controlled Congress trying to conceal the true cost of its policies.

The Committee-reported resolution sets up the right incentives for bipartisan tax simplification and reform. Working toward genuine tax simplification is better for the American taxpayer than merely extending the existing, flawed tax code. We can have a tax code that promotes economic growth and collects the revenues required to meet the nation's needs in a simpler, fairer way.

The Committee-reported resolution rejects the fiction that tax cuts pay for themselves. The fact is that deficit-financed tax cuts, and proposals to make them permanent without offsets, add significantly to the nation's debt. This harms the economy and passes on an unfair burden to our children and grandchildren. According to the Center on Budget and Policy Priorities, extending all of the President's tax cuts without offsets would double the nation's projected debt burden in 2050.

5. LONG-TERM FISCAL CHALLENGES

With the coming retirement of the baby boom generation, our nation faces a significant long-term imbalance between revenues and spending. While the Committee-reported resolution achieves the important near-term goal of returning the budget to balance by 2012, this represents only a first step in the difficult path of restoring our long-term fiscal security.

As many budget and economic experts have noted, beyond the current budget window, things worsen considerably. In testimony before the Budget Committee in January, for example, CBO Director Peter Orszag stated: "Ongoing increases in health care costs, along with the aging of the population, are expected to put substantial pressure on the budget in coming decades; those trends are already evident in the current projection period A substantial reduction in the growth of spending, a significant increase in tax revenues relative to the size of the economy, or some combination of the two will be necessary to maintain the nation's long-term fiscal stability."

Addressing our nation's long-term fiscal challenges in a comprehensive, lasting manner will require a bipartisan process that brings together members of Congress and administration officials to make balanced changes to both spending and revenues. The Chairman and Ranking Member of the Senate Budget Committee have introduced legislation that represents one such model for carrying out a bipartisan approach.

In the interim, the Committee-reported resolution takes additional measures to begin to address our long-term fiscal challenges. These measures include:

Comparative Effectiveness Reserve Fund

Given that excess growth in health care costs is the largest factor driving the spending growth in our health care entitlement programs, it is crucial that we take steps to control those costs. One of the best ways to better control health care costs is to provide health care providers and patients with objective and credible evidence about which health care treatments, services, and items are most clinically effective for particular patient populations. Access to better evidence about what works best will help patients and health care providers make better-informed decisions about how best to treat particular diseases and conditions – potentially reducing unnecessary or ineffective care.

To address this need, the Committee-reported resolution takes two steps. First, the Committee-reported resolution includes a Comparative Effectiveness Reserve Fund. This deficit-neutral reserve fund would allow for legislation to establish a new federal or public-private initiative for comparative effectiveness research. The purpose of such research would be to evaluate and compare the clinical effectiveness of two or more health care interventions, treatment protocols, procedures, medical devices, diagnostic tools, pharmaceuticals, and other processes or items used in the treatment or diagnosis of patients. This information could lead to savings over the long-term by allowing providers to avoid treatments that may be clinically ineffective, while at the same time improving health care outcomes. The Chairmen of the Budget and Finance Committees have proposed legislation, the Comparative Effectiveness Research Act of 2008, that would establish such an initiative.

Second, the Committee-reported resolution includes a discretionary cap adjustment to encourage appropriators to provide more funding for comparative effectiveness research that is already being conducted at the Agency for Healthcare Research and Quality (AHRQ), as authorized under Section 1013 of the Medicare Modernization Act (MMA). Specifically, this provision would allow a discretionary cap adjustment of up to \$70 million in 2009 if appropriators provide a base amount of \$30 million for comparative effectiveness research at AHRQ (for a total funding level of \$100

million in 2009).

Deficit-Neutral Health Information Technology Reserve Fund

The expansion of health care information technology could lead to savings in the overall health care system. Widespread adoption of health IT could improve the quality of care by reducing redundant and unnecessary care, speeding patient treatment, improving patient safety, reducing medical errors, allowing providers to better coordinate care, allowing for better adherence to clinical best practices, and ultimately achieving better health outcomes for patients. Key barriers to the widespread adoption of health IT systems include high start-up costs for providers, lack of interoperability, and privacy concerns.

In addition, the Committee remains concerned about ongoing difficulties that service members have had in transitioning their medical records from the Department of Defense (DOD) to the Department of Veterans Affairs (VA). The Committee supports implementation of an interoperable health record between DOD and the VA, as required by the 2008 Defense Authorization Act.

To address these important issues, the Committee adopted by voice vote a Stabenow-Whitehouse-Lautenberg-Enzi amendment to create a deficit-neutral reserve fund for health information technology and adherence to best practices. Specifically, the reserve fund allows the Chairman of the Senate Budget Committee to revise the levels and limits in the resolution to allow for legislation that provides incentives or other support for adoption of modern health information technology to improve quality and protect privacy in health care, such as activities by the DOD and the VA to integrate their electronic health record data, and that provides for payments that are based on adherence to clinical "best practices," provided that the legislation is fully offset.

Point of Order Against Long-Term Deficit Increases

Like last year's resolution, the Committee-reported resolution includes a point of order against legislation that would increase the deficit over the long term – specifically, in the four decades beyond the next ten years (2019-2028, 2029-2038, 2039-2048, and 2049-2058).

Under the Committee-reported resolution, the long-term point of order will apply against any net deficit increases (including changes in revenues and mandatory spending, but excluding debt service) in any of the four ten-year periods.

The provision sunsets at the end of 2017.

Program Integrity

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

In addition to supporting ongoing efforts at the Social Security Administration, the Committee-reported resolution, for example, provides for a discretionary cap adjustment of \$240 million to fund the processing of additional Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations. CDRs save approximately \$10 for every \$1 spent, and redeterminations save approximately \$7 for every \$1 spent. In addition to being "good government" initiatives, the additional short-term funding will result in long-term savings.

The Committee-reported resolution also supports enhanced Internal Revenue Service tax enforcement to address the tax gap.

6. ENFORCEMENT AND RESERVE FUNDS

Title II. Budget Enforcement

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

The 2008 budget resolution (S. Con Res. 21, 110th Congress) included many important enforcement provisions which remain in effect. These include:

- **The 60-vote point of order against reconciliation increasing the deficit** (Sec. 202);
- **The 60-vote point of order against emergency designations** (Sec. 204);
- **Continued 60-vote enforcement of Senate budgetary points of order** (Sec. 205);
- **The requirement that the discretionary administrative expenses of the Social Security Administration be included in the Appropriations Committee's 302(a) allocation in any budget resolution** (Sec. 210); and
- **The Senate pay-as-you-go point of order** (Sec. 201), requiring that new mandatory spending and tax cuts be offset or get 60 votes. The Committee-reported resolution assumes that all existing balances on the Senate pay-as-you-go ledger would be eliminated, and the scorecard reset to zero for 2008-2013 and 2008-2018.

The Committee-reported resolution includes the following enforcement provisions, most of which update provisions that were part of the 2008 budget resolution.

SUBTITLE A – DIRECT SPENDING AND RECEIPTS

Sec. 201. Point of Order Against Legislation Increasing Long-Term Deficits.

The Committee-reported resolution includes a point of order in the Senate against legislation that would cause a net deficit increase (including changes in revenues and mandatory spending, but excluding debt service) in any of the four consecutive ten-year periods beginning with the first fiscal year that is ten years after the budget year provided for in the most recently-adopted budget resolution (for 2009 these time periods will be 2019-2028, 2029-2038, 2039-2048, and 2049-2058). The point of order can be waived with 60 votes, and it sunsets at the end of 2017.

SUBTITLE B – DISCRETIONARY SPENDING

Sec. 211. Discretionary Spending Caps.

The Committee-reported resolution would strengthen fiscal responsibility by establishing discretionary spending limits for 2008 and 2009, and enforce them with a point of order in the Senate that could only be waived with 60 votes. For 2008, it provides a cap of \$1,055.478 billion in budget authority and \$1,093.343 billion in outlays. For 2009, it sets a cap of \$1,008.482 billion in budget authority and \$1,108.449 billion in outlays. As in past years, the Committee-reported resolution permits adjustments to the discretionary spending limits in 2009 for program integrity initiatives, such as Social Security Administration continuing disability reviews (CDRs) and Supplemental Security Income redeterminations, enhanced Internal Revenue Service tax

enforcement to address the tax gap, appropriations for the Health Care Fraud and Abuse Control (HCFAC) program at the Department of Health and Human Services, and unemployment insurance improper payments reviews at the Department of Labor. It also provides for adjustments in 2008 and 2009 for the wars in Iraq and Afghanistan, as well as adjustments in 2009 for comparative effectiveness research at the Agency for Healthcare Research and Quality (AHRQ). The Committee-reported resolution also includes a program integrity cap adjustment dedicated to reducing waste in defense contracting. It allows the Chairman of the Budget Committee to increase the discretionary spending cap by up to \$100,000,000 to accommodate legislation appropriating funding for the Department of Defense for additional activities to reduce waste, fraud, abuse and overpayments in defense contracting; achieve the legal requirement for the Pentagon to submit auditable financial statements; or improve accounting for and ordering of spare parts.

Sec. 212. Advance Appropriations.

As in past years, the Committee-reported resolution provides a supermajority point of order in the Senate against appropriations in fiscal year 2009 bills that would first become effective in any year after fiscal year 2009, and against appropriations in fiscal year 2010 bills that would first become effective in any year after fiscal year 2010. It does not apply against appropriations for the Corporation for Public Broadcasting, nor does it apply against changes in mandatory programs or deferrals of mandatory budget authority from one year to the next. There is an exemption for each of fiscal years 2009 and 2010 of up to \$29.352 billion for the following:

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS IN THE SENATE

Labor, HHS:

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

Financial Services and General Government: Payment to Postal Service
Transportation, Housing and Urban Development: Section 8 Renewals

Sec. 213. Appropriations Changes in Mandatory Programs (ChIMPs) with Net Costs.

The Committee-reported resolution again includes a 60-vote point of order against any provision of appropriations legislation that would have been estimated as affecting direct spending or receipts if it were included in legislation other than appropriations legislation, if all three of the following conditions are met:

- (1) the provision would increase BA in –
 - (a) at least one of the nine fiscal years that follow the budget year, and
 - (b) over the period of the total of the budget year and the nine fiscal years following the budget year;
- (2) the provision would increase net outlays over the period of the total of the nine fiscal years following the budget year; and
- (3) the sum total of all changes in mandatory programs in the legislation would increase net outlays as measured over the period of the total of the nine fiscal years following the budget year.

The point of order does not apply against any ChIMPs that were enacted in each of the three fiscal years prior to the budget year. The point of order works like the Byrd rule in that it applies against individual provisions of legislation rather than against an entire bill, amendment, or conference

report. If the point of order is not waived then the offending provision is stricken.

Sec. 214. Treatment of Postal Service Administrative Expenses.

The 2008 budget resolution included a provision, which remains in effect, requiring that all budget resolutions include the Administrative Expenses of the Social Security Administration in the 302(a) allocations to the Appropriations Committee. The Committee-reported resolution includes a new, similar requirement, that all budget resolutions include the Administrative Expenses of the Postal Service in the 302(a) allocations to the Appropriations Committee.

SUBTITLE C – OTHER PROVISIONS

Sec. 221. Application and Effect of Changes in Allocations and Aggregates.

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

Sec. 222. Adjustments to Reflect Changes in Concepts and Definitions.

This section of the Committee-reported resolution allows the Chairman of the Committee on the Budget to adjust levels in this resolution upon the enactment of legislation that changes concepts or definitions.

Secs. 223 and 224. Debt Disclosure.

These sections reflect an amendment adopted in the committee regarding the levels of debt assumed in the budget resolution and to require budget resolutions to contain a debt disclosure section.

Sec. 225. Exercise of Rulemaking Powers.

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

Title III. Deficit-Neutral Reserve Funds

Sec. 301. STRENGTHENING AND STIMULATING THE AMERICAN ECONOMY AND PROVIDING ECONOMIC RELIEF TO AMERICAN FAMILIES.

(a) Tax Relief. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of tax relief legislation, which may include extensions of expiring tax cuts and refundable tax relief, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

(b) Manufacturing. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for legislation aimed at revitalizing the manufacturing sector in the United States, which may include tax incentives, increased research and development, and other important support, provided such legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

(c) Housing. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for legislation that would provide housing assistance, which may include low income rental assistance, or establish an affordable housing fund to finance low-income housing investments, financed by contributions from the government-sponsored enterprises or other sources, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

(d) Flood Insurance Reform. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for legislation that authorizes flood insurance reform and modernization, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

(e) Trade. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for legislation to address our nation's trade agreements, preferences, sanctions, enforcement, or customs laws, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

(f) Economic Relief for American Families. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for legislation in the following areas, provided it is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018:

- (1) TANF** – legislation reauthorizing Temporary Assistance for Needy Families grants or making improvements to the TANF program, child welfare programs, or child support enforcement. The legislation for improving child welfare includes steps to help support foster children being raised by grandparents, older youth aging out of foster care, and other improvements in child welfare financing to prevent child abuse and neglect and promote permanent families for children. In addition, legislation that strengthens support for treatment options for families struggling with substance abuse and addiction, and in particular takes steps to prevent the increased use of methamphetamines as well as provides treatment for addicted individuals and families can be accommodated within this reserve to improve child welfare.
- (2) Child Care** – legislation providing up to \$5 billion for the child care entitlement to states.

- (3) **Unemployment Compensation** – legislation improving the unemployment compensation program.
- (4) **TAA** – legislation reauthorizing trade adjustment assistance programs.
- (g) **America's Farms and Rural America.**
 - (1) **Farm Bill.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for legislation to reauthorize agricultural programs, address the needs of rural America, promote new sources of renewable energy from U.S. farm products, provide an economic safety net for agricultural producers, enhance the stewardship of our natural resources, address domestic nutrition needs, increase agricultural research, and improve our export competitiveness, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.
 - (2) **County Payments.** The Committee-reported resolution includes a deficit-neutral reserve fund allowing the Chairman of the Budget Committee to revise the levels and limits in the resolution for legislation that provides for the reauthorization of the Secure Rural Schools and Community Self-Determination Act of 2000, makes changes to the Payments in Lieu of Taxes Act of 1976, or both, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.
- Sec. 302. IMPROVING EDUCATION.** The Committee-reported resolution includes a deficit-neutral reserve fund allowing the Chairman of the Budget Committee to revise the levels in the resolution for legislation to make higher education more accessible or more affordable which may include increasing funding for the Federal Pell Grant program, modernize school facilities through renovation or construction bonds, reduce the cost to teachers of out-of-pocket expenses for school supplies, or provide tax incentives for highly-qualified teachers to serve in high-needs schools, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018. The legislation may include tax provisions.
- Sec. 303. INVESTING IN INFRASTRUCTURE.** The Committee-reported resolution provides a reserve fund allowing the Chairman of the Budget Committee to revise the levels in the resolution for legislation to provide a sustained, robust federal investment in our nation's infrastructure, which may include transit, housing, energy, water, highways, bridges, or other important infrastructure projects, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.
- Sec. 304. INVESTING IN CLEAN ENERGY, PRESERVING THE ENVIRONMENT, AND PROVIDING FOR CERTAIN SETTLEMENTS.**
 - (a) **Energy and the Environment:** The Committee-reported resolution includes a deficit-neutral reserve fund that will allow the Chairman of the Budget Committee to revise the levels and limits in the resolution for energy legislation or environmental legislation that would decrease greenhouse gas emissions, reduce our nation's dependence on imported energy, produce "green" jobs, or protect national parks, oceans, or coastal areas, provided

the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018. The legislation may include tax provisions.

- (b) **Settlements:** The Committee-reported resolution includes a reserve fund allowing the Chairman of the Budget Committee to revise the levels in the resolution for deficit-neutral legislation to carry out the San Joaquin River Restoration Settlement Act, or legislation to implement a Navajo Nation water rights settlement and other provisions authorized by the Northwestern New Mexico Rural Water Projects Act, provided the legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

Sec. 305. PROVIDING FOR AMERICA'S VETERANS, WOUNDED SERVICE MEMBERS, AND A POST-9/11 G.I. BILL. The Committee-reported resolution includes deficit-neutral reserve funds allowing the Chairman of the Budget Committee to revise the levels in the resolution for –

- (a) **Veterans and Wounded Servicemembers:** Legislation that would –
 - (1) enhance medical care, disability evaluations, or disability benefits for wounded or disabled military personnel or veterans;
 - (2) provide for or increase benefits to Filipino veterans of World War II, their survivors and dependents; or
 - (3) allow for the transfer of education benefits from service members to their family members;

-- provided the legislation does not include increased fees charged to veterans for pharmacy co-payments, annual enrollment, or other third-party insurance payment offsets, and provided it is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.
- (b) **A Post-9/11 G.I. Bill:** Legislation to enhance educational benefits of service members and veterans with service on active duty in the Armed Forces on or after September 11, 2001, provided such legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

Sec. 306. IMPROVING AMERICA'S HEALTH. The Committee-reported resolution includes deficit-neutral reserve funds allowing the Chairman of the Budget Committee to revise the levels in the resolution for legislation in the following areas, provided such legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

- (a) **SCHIP:** Legislation to reauthorize the State Childrens Health Insurance Program, expand coverage of the estimated six million children eligible but not enrolled in either SCHIP or Medicaid, and maintain coverage for all currently-enrolled children.
- (b) **Medicare Improvements –**
 - (1) **Physician Payments:** Legislation to increase the reimbursement rate for physician services under Medicare Part B. Under current law, without further Congressional action, physician payments under Medicare Part B will be cut over ten percent on

July 1, 2008, and an additional five percent in subsequent years. The President's budget does not propose to prevent this cut. If no adjustments are made, over time, more and more physicians will stop providing services to Medicare patients, reducing seniors' access to care.

- (2) **Other Medicare Improvements:** Legislation to make other improvements to the Medicare program, including improvements to the prescription drug benefit under Medicare Part D, adjustments to the Medicare Savings Program, reductions to beneficiary cost-sharing for preventive benefits under Medicare Part B, and to encourage physicians to train in primary care residencies and attract more physicians and other health care providers to States that face a shortage of health care providers.
- (c) **Health Care Quality, Effectiveness, Efficiency, and Transparency,** including:
- (1) **Comparative Effectiveness Research:** Legislation to establish a new federal or public-private initiative for comparative effectiveness research.
 - (2) **Improving the Health Care System:** Legislation to create a framework and parameters for the use of Medicare data for the purpose of conducting research, public reporting, and other activities to evaluate health care safety, effectiveness, efficiency, quality, and resource utilization in Federal programs and the private health care system, while protecting the privacy of beneficiaries and other proprietary information.
 - (3) **Health Information Technology and Best Practices –**
 - (A) **Health Information Technology:** Legislation to provide incentives or other support for adoption of modern health information technology to improve quality and protect privacy in health care, such as activities by the Department of Defense and the Department of Veterans Affairs to integrate their electronic health record data.
 - (B) **Best Practices:** Legislation that provides for payments that are based on adherence to clinical "best practices."
- (d) **FDA,** including –
- (1) **Regulation:** Legislation that authorizes the Food and Drug Administration (FDA) to regulate certain products and assess user fees on manufacturers and importers to cover the cost of FDA's regulatory activities, and
 - (2) **Drug Importation:** Legislation allowing for the safe importation of prescription drugs approved by the FDA.
- (e) **Medicaid,** including –
- (1) **Rules or Administrative Actions:** Legislation addressing certain rules or administrative actions, and
 - (2) **TMA:** Legislation extending the Transitional Medical Assistance program.

- (f) **Other Improvements in Health**, including legislation making health insurance coverage more affordable and available to small businesses and their employees, improving health care and provide quality health insurance for the uninsured and underinsured, reauthorizing special diabetes programs, improving long-term care, or providing for mental health parity.
- (g) **Pediatric Dental Care**, for legislation providing for improved access to pediatric dental care for children from low-income families. The Committee recognizes the importance of pediatric dental services in the overall health of children. The capacity of community-based clinics to treat children covered through Medicaid and SCHIP and uninsured children from low-income families is compromised by inadequate reimbursement from federal and state programs. To address this issue, the Committee adopted by unanimous consent a deficit-neutral reserve fund to adequately compensate qualified dental clinics for treatment of children from low-income families.

Sec. 307. JUDICIAL PAY AND JUDGESHIPS – The Committee-reported resolution includes a reserve fund allowing the Chairman of the Budget Committee to revise the levels in the resolution for legislation that authorizes salary adjustments for justices and judges of the United States or increases the number of federal judgeships, provided such legislation is deficit-neutral over the total of fiscal years 2008-2013 and 2008-2018.

7. ECONOMICS

Committee-reported Resolution Based on CBO's Economic Assumptions

The Committee-reported resolution is built on CBO's assumptions about the future path of the U.S. economy. In February, CBO updated its economic outlook to include recent economic indicators, the Federal Reserve's interest rate cuts since mid-December, and the fiscal stimulus passed by Congress.

CBO now predicts that the economy will endure a period of slow growth (though not a recession) over the course of this year and into next, before recovering and then gradually returning to a sustainable longer-term pace thereafter. Weak economic growth will keep the unemployment rate relatively high, and inflation and interest rates relatively low over the near term. Thereafter, according to CBO's projection, the unemployment rate will decline and inflation and interest rates will rise to their trend levels.

CBO's forecast for economic growth this year is similar to the Blue Chip average of private-sector forecasts, as well as the Federal Reserve's most recent forecast. However, CBO's revised outlook for growth in 2008 is considerably more pessimistic than OMB's, which was not revised (see the comparison table at the end of this section). CBO expects the economy will grow only 1.6 percent between the fourth-quarter of last year and the fourth-quarter of this year, substantially slower than the 2.5 percent pace of growth over the course of 2007. OMB, on the other, expects the economy to grow by 2.7 percent over the course of this year.

While both CBO and OMB have similar medium-term economic assumptions, OMB projects that nominal gross domestic product (GDP) will be nearly \$170 billion higher in fiscal year 2013 than CBO assumes. That difference largely reflects OMB's assumption that both real growth and inflation will be higher than CBO expects over the near term, and it works to raise the administration's revenue projections relative to CBO's.

Near-Term Economic Growth Is Shifting from Slow to Slower

The U.S. economy has grown at a subpar pace since 2001. At the same point during the nine previous expansions, real (inflation-adjusted) GDP grew at a 3.4 percent annual rate, on average. By contrast, over the course of the current expansion, real GDP has advanced at a 2.5 percent average pace. Growth rates of business investment and employment have been similarly slow during the current expansion, contradicting the claims made by supply-side advocates that the administration's tax cuts would boost investment and create jobs. In fact, real investment spending by business has grown at an average annual pace of only 2.0 percent since 2001, half the 4.0 percent growth recorded in previous expansions. Employment growth has been even more disappointing: private-sector payrolls have expanded by only 0.5 percent a year, on average, since 2001. That's less than a third of the 1.7 percent average annual pace achieved during previous expansions, or a shortfall of more than 9 million jobs.

Already slow, economic growth slowed further last year to 2.2 percent, down from 2.9 percent in 2006. Notably, real GDP decelerated sharply in the fourth quarter of 2007, rising at an anemic 0.6 percent annual rate. The unemployment rate has risen sharply, climbing half a percentage point since the end of 2006, to just under 5 percent in January of this year.

Further slowing is all but inevitable. Real housing investment fell by 17.0 percent last year, the largest drop in 25 years, and recent housing market indicators have provided no cause to be optimistic that the declines in home building and sales will end soon. Moreover, the fallout from the collapse of subprime mortgage markets is likely to linger for a time even after housing demand begins to firm up. Home prices have fallen sharply since mid-2006 and are expected to continue

dropping this year and next; those declines erode household wealth, thereby tempering growth in consumer spending at the same time that rising energy costs are also straining household budgets. Additionally, the subprime collapse has instigated a general repricing of portfolio risks worldwide and that has already worked to constrain credit availability. Recent indicators have shown that banks have tightened their lending standards on all types of loans, not just nonconforming mortgages. As a result, healthy households and businesses are finding it more difficult to borrow funds for financially sound investments.

The economy could easily take a turn for the worse – the risk of a recession is now higher than it has been for years. In recent months, some economic indicators have suggested that service-producing industries that are not directly related to housing have weakened sharply. Should those indications persist or worsen, it might be difficult for the economy to avoid a recession.

Bush / Republican Deficits Drain National Savings

Congress' fiscal stimulus package will work to bolster demand and thereby help to get the economy back on track. However, policymakers continue to face the challenge of ensuring that budget policies contribute to rising living standards for all Americans over the long term. That challenge has been made more daunting by the Bush administration's track record of fiscally-irresponsible budget policies, which have endangered the nation's long-term economic security.

In 2001, the Bush administration inherited a record budget surplus, the legacy of fiscal discipline achieved over the previous decade. Today, after years of staggering rises in deficit-financed war spending and deficit-financed tax cuts for the wealthiest Americans, the administration expects to leave behind a deficit approaching \$400 billion in 2008 and well more than \$300 billion in 2009. That swing from surplus to deficit represents the drag that this administration has imposed on national saving, saving that would otherwise be available to fund productive investment.

The administration's abandonment of fiscal discipline has led to an explosion of federal debt. Over the past seven years, gross federal debt has increased by nearly 60 percent to over \$9 trillion in 2007 – that's about \$30,000 per person. Moreover, the administration has more than doubled the debt owed to foreign lenders, which currently amounts to \$2.4 trillion. The top three foreign holders of our debt are Japan with \$581 billion; China with \$478 billion; and United Kingdom with \$157 billion.

American Workers Not Benefitting from Productivity Gains

The Bush administration has defended its budget policies as having boosted productivity growth over the past seven years. However, in claiming success for the 2.7 percent average annual productivity growth since 2001, the administration neglects to mention how little American workers have benefitted from those gains. Since 2001, real compensation (wages and salaries plus benefits) has grown at an average rate of only 1.2 percent a year. That is below the 1.4 percent average annual increase in compensation between 1990 and 2001, and less than half the 2.6 percent average annual gain between 1948 and 1973. In fact, the 1.5 percentage point gap between growth of productivity and compensation that has opened up this decade has no precedent in post-war U.S. history.

While productivity growth is critical to overall economic growth, that growth ultimately enhances the nation's economic welfare when it works to increase the living standards of Americans. Contrary to the administration's claims, its budget policies have done little to help most Americans. While the wealthiest have received large tax cuts, middle-class living standards have stagnated. The income of a typical American household was \$48,201 in 2006 (the last year for which data are available). That is 2 percent below the level in 2000, after accounting for inflation.

Moreover, a variety of data suggest that the distribution of income has become increasingly unequal since 2001. For example, while the usual weekly earnings of workers in the top 10 percent of the earnings distribution increased by 4.7 percent, after inflation, from the end of 2000 through the end of last year, workers in the bottom 10 percent of the distribution saw their real weekly earnings decline by 2.2 percent.

Committee-reported Resolution Puts Nation Back on Sound Fiscal Course

The Committee-reported resolution seeks to stem and ultimately reverse the dangerous fiscal trends that seven years of the Bush administration's budget policies have produced. By lowering the deficit and moving the budget back to balance, it will reduce the federal government's drag on national saving, thereby opening opportunities for households and businesses to finance productive investments that otherwise might not be made. Reducing the deficit will also stop the explosive rise in federal borrowing that has substantially raised U.S. indebtedness to foreign lenders in recent years.

The Committee-reported resolution will also aid the economy by providing much-needed investments in energy, education, and infrastructure. Economic researchers have found that federal investments in these areas can offer positive economic returns. Federal investment in energy can enhance the productivity of households and businesses, as well as reduce the economy's vulnerability to fluctuations in world oil supplies. Federal investment in education can improve the overall productivity and competitiveness of the U.S. labor force and ensure that the productivity gains are broadly shared. Federal investment in infrastructure, such as highways and bridges, can reduce the costs of travel to businesses and households, further raising their productivity.

Comparison of Economic Assumptions

	<u>2008</u>	<u>2009</u>	<u>Annual Average 2008-2013</u>
<i>Percent change, fourth quarter over fourth quarter</i>			
Nominal GDP			
President's Budget	4.8	5.1	4.9
CBO	3.3	4.8	4.7
Blue Chip Survey	3.8	5.0	n.a.
Real GDP			
President's Budget	2.7	3.0	2.9
CBO	1.6	3.0	2.8
Blue Chip Survey	1.6	2.8	n.a.
GDP Price Index			
President's Budget	2.0	2.0	2.0
CBO	1.7	1.7	1.9
Blue Chip Survey	2.2	2.1	n.a.
Consumer Price Index (CPI-U)			
President's Budget	2.1	2.2	2.3
CBO	2.1	1.9	2.2
Blue Chip Survey	2.4	2.3	n.a.
<i>Percent, calendar year over calendar</i>			
Unemployment Rate			
President's Budget	4.9	4.9	4.8
CBO	5.2	5.5	5.0
Blue Chip Survey	5.2	5.3	n.a.
3-Month Treasury Bill Rate			
President's Budget	3.7	3.8	4.0
CBO	2.1	2.4	3.8
Blue Chip Survey	2.4	3.1	n.a.
10-Year Treasury Note Rate			
President's Budget	4.6	4.9	5.1
CBO	3.6	3.8	4.7
Blue Chip Survey	3.8	4.4	n.a.

Sources: OMB, *Budget of the U.S. Government: Fiscal Year 2009* (February 2008); CBO (February 2008); and Aspen Publishers, *Blue Chip Economic Indicators* (February 2008).

Note: "n.a." denotes that estimates are not available.

8. COMMITTEE VOTES

On March 5, 2008, Chairman Conrad presented the Chairman's Mark for the fiscal year 2009 budget resolution to the Committee. Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

March 6, 2008

(1) By a vote of 11 yeas to 11 nays the Committee defeated the Crapo amendment to create a special scorekeeping rule in the Senate to exclude from the pay-as-you-go scorecard all revenues raised from provisions to close the tax gap.

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

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

(2) By voice vote the Committee agreed to the Stabenow-Whitehouse-Lautenberg-Enzi amendment to add to the Chairman's Mark deficit-neutral reserve funds for health information technology and best practices legislation.

(3) By a vote of 13 yeas to 10 nays the Committee agreed to the Allard amendment to reduce budget authority and outlays for Function 350 and increase budget authority and outlays for Function 600.

Yeas: Murray, Wyden, Feingold, Lautenberg, Byrd, Menendez, Sanders, Whitehouse, Gregg, Grassley, Allard, Enzi, Ensign

Nays: Conrad, Nelson (FL), Stabenow, Cardin, Domenici, Sessions, Bunning, Crapo, Cornyn, Graham.

(4) By voice vote the Committee agreed to the Menendez-Lautenberg-Stabenow-Feingold amendment to increase budget authority and outlays for the Byrne/Justice Assistance Grant (JAG) program and decrease budget authority and outlays in Function 920.

(5) By a vote of 10 yeas to 12 nays the Committee defeated the Grassley amendment to exempt certain revenue legislation from the Senate's pay-as-you-go rule.

Yeas: Gregg, Domenici, Grassley, Allard, Enzi, Sessions, Crapo, Ensign, Cornyn, Graham.

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

(6) By voice vote the Committee agreed to the Feingold amendment to adjust the discretionary caps to reduce waste in defense contracting.

(7) The Committee considered a Sessions amendment to add to the Chairman's Mark a deficit-neutral reserve fund for border security and criminal alien removal programs. The amendment was withdrawn.

(8) By voice vote the Committee agreed to the Cardin amendment to add to the Chairman's Mark a deficit-neutral reserve fund for pediatric dental care.

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

(10) By voice vote the Committee agreed to the Whitehouse amendment to amend the deficit-neutral energy and environment reserve fund in the Chairman's Mark to include legislation to preserve and protect oceans and coastal areas.

(11) By a vote of 11 yeas to 12 nays the Committee defeated the Cornyn amendment to strike the supermajority waiver requirement from the Senate's pay-as-you-go rule, which would have resulted in a simple majority waiver requirement.

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

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

(12) By voice vote the Committee agreed to the Stabenow amendment to amend the deficit-neutral reserve fund for veterans and servicemembers to prohibit increased fees on veterans.

(13) By a vote of 11 yeas to 12 nays the Committee defeated the Sessions amendment to exempt certain revenue measures from the pay-as-you-go rule and other budget points of order.

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

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

(14) By voice vote the Committee agreed to the Feingold-Menendez amendment to clarify that the deficit-neutral education reserve in the Chairman's Mark accommodates legislation that would increase funding for the Federal Pell Grant program.

(15) By voice vote the Committee agreed to the Feingold amendment to clarify that the deficit-neutral housing reserve in the Chairman's Mark accommodates legislation providing low-income rental assistance, as well as other sources of funding.

(16) By voice vote the Committee agreed to the Gregg amendment to the long-term deficit point of order in the Chairman's Mark.

(17) By a vote of 8 yeas to 14 nays the Committee defeated the Gregg amendment to reduce budget authority and outlays in Function 350.

Yeas: Gregg, Domenici, Allard, Enzi, Bunning, Crapo, Ensign, Cornyn.

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

(18) By a vote of 10 yeas to 12 nays the Committee defeated the Gregg amendment to add to the

Chairman's Mark a Senate point of order against certain spending reconciliation directives.

Yeas: Gregg, Domenici, Grassley, Allard, Enzi, Bunning, Crapo, Ensign, Cornyn, Graham.

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

(19) By a vote of 12 yeas to 10 nays the Committee ordered favorably reported the Chairman's Mark as amended.

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

Nays: Gregg, Domenici, Grassley, Allard, Enzi, Bunning, Crapo, Ensign, Cornyn, Graham.

Note: Senator Byrd's votes in the Senate Committee on the Budget on March 6, 2008 were cast by proxy, pursuant to a unanimous consent agreement entered into on March 4, 2008 (Congressional Record, page S1545).

9. SUMMARY TABLES

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending, Revenues, Deficit/Surplus, and Debt**

\$ billions	2008	2009	2010	2011	2012	2013	2009-2013
Summary							
Budget Authority	3,052.498	3,036.911	3,084.516	3,236.746	3,302.061	3,452.697	16,112.931
Off	473.243	503.179	529.212	549.621	575.926	605.709	2,763.647
On	2,579.255	2,533.732	2,555.303	2,687.125	2,726.134	2,846.988	13,349.284
Outlays	2,946.927	3,076.053	3,142.575	3,254.546	3,289.225	3,440.647	16,203.048
Off	470.172	500.341	526.306	546.221	572.165	601.652	2,746.684
On	2,476.755	2,575.712	2,616.270	2,708.326	2,717.061	2,838.995	13,456.364
Revenues	2,538.593	2,709.754	2,933.560	3,205.056	3,465.929	3,600.160	15,914.459
Off	666.705	695.876	733.571	772.468	809.798	845.044	3,856.757
On	1,871.888	2,013.878	2,199.989	2,432.588	2,656.131	2,755.116	12,057.702
Deficit (-)/Surplus	-408.334	-366.299	-209.015	-49.490	176.704	159.513	-288.589
Off	196.533	195.535	207.265	226.247	237.633	243.392	1,110.073
On	-604.867	-561.834	-416.281	-275.738	-60.930	-83.879	-1,398.662
Debt Held by the Public	5,418.643	5,801.633	6,029.151	6,096.509	5,936.083	5,793.011	--
Public Debt	9,618.792	10,276.776	10,801.592	11,182.340	11,375.053	11,573.680	--
By Function							
050 National Defense							
Budget Authority	693.273	612.497	550.414	557.026	565.800	576.223	2,861.960
Outlays	604.289	645.433	607.032	577.925	561.666	570.503	2,962.559
150 International Affairs							
Budget Authority	38.608	34.472	35.663	36.322	36.866	37.024	180.348
Outlays	33.771	37.324	35.898	35.514	35.415	35.082	179.233
250 General Science, Space and Technology							
Budget Authority	27.407	29.936	30.369	30.848	31.332	31.816	154.301
Outlays	26.456	28.681	30.280	31.107	31.638	31.623	153.329
270 Energy							
Budget Authority	3.548	7.026	6.935	6.916	6.895	6.858	34.630
Outlays	1.681	2.843	4.533	5.481	5.981	6.159	24.997
300 Natural Resources and Environment							
Budget Authority	32.560	39.748	34.705	35.399	36.086	36.787	182.725
Outlays	34.440	36.230	37.014	37.193	37.370	37.732	185.539
350 Agriculture							
Budget Authority	22.423	21.377	21.532	21.665	21.994	22.307	108.876
Outlays	21.495	21.127	20.501	20.659	21.176	21.513	104.976
370 Commerce and Housing Credit							
Budget Authority	12.966	10.608	11.700	7.688	8.012	8.247	46.255
Outlays	6.878	5.022	4.129	0.799	0.476	0.188	10.614
Off Budget Authority	1.450	1.258	0.567	-0.025	-0.016	-0.007	1.777
Outlays	1.437	1.258	0.567	-0.025	-0.016	-0.007	1.777
On Budget Authority	11.516	9.350	11.133	7.713	8.028	8.254	44.478
Outlays	5.441	3.764	3.562	0.824	0.492	0.195	8.837
400 Transportation							
Budget Authority	83.789	75.131	78.075	78.913	79.763	80.640	392.522
Outlays	77.870	83.311	85.504	86.779	88.515	90.534	434.643
450 Community and Regional Development							
Budget Authority	20.029	15.024	15.235	15.473	15.716	15.949	77.396
Outlays	27.819	24.392	22.080	18.202	16.159	15.847	96.681

500 Education, Training, Employment, and Social Services							
Budget Authority	91.381	94.141	103.891	106.486	108.255	101.660	514.433
Outlays	90.912	91.112	98.377	103.694	104.858	103.626	501.669
550 Health							
Budget Authority	286.108	309.404	324.863	345.558	368.273	393.283	1,741.382
Outlays	287.211	307.274	325.285	344.735	367.091	391.805	1,736.189
570 Medicare							
Budget Authority	390.458	420.369	445.380	494.477	491.399	551.039	2,402.683
Outlays	390.454	420.150	445.513	494.305	491.163	551.161	2,402.292
600 Income Security							
Budget Authority	393.591	411.748	416.312	425.425	411.458	426.718	2,091.663
Outlays	394.613	417.187	418.131	426.180	411.587	426.609	2,099.693
650 Social Security							
Budget Authority	619.736	654.525	688.900	724.129	765.792	811.974	3,645.320
Outlays	616.678	651.687	685.994	720.729	762.031	807.917	3,628.357
Off Budget Authority	600.358	633.217	665.106	696.799	735.450	778.812	3,509.384
Outlays	597.300	630.379	662.200	693.399	731.689	774.755	3,492.421
On Budget Authority	19.378	21.308	23.794	27.330	30.342	33.162	135.936
Outlays	19.378	21.308	23.794	27.330	30.342	33.162	135.936
700 Veterans Benefits and Services							
Budget Authority	86.365	93.268	95.615	100.959	97.782	103.241	490.865
Outlays	83.551	92.352	95.394	100.748	97.064	102.521	488.079
750 Administration of Justice							
Budget Authority	46.282	47.498	47.977	48.866	49.778	50.727	244.846
Outlays	44.322	46.411	49.155	49.680	49.751	50.425	245.423
800 General Government							
Budget Authority	56.407	24.474	19.966	20.387	20.788	21.103	106.718
Outlays	56.920	24.432	20.166	20.399	20.932	20.987	106.916
900 Net Interest							
Budget Authority	234.062	217.688	250.356	277.364	287.098	282.784	1,315.291
Outlays	234.062	217.688	250.356	277.364	287.098	282.784	1,315.291
Off Budget Authority	-115.400	-117.400	-121.800	-131.600	-143.000	-155.700	-669.500
Outlays	-115.400	-117.400	-121.800	-131.600	-143.000	-155.700	-669.500
On Budget Authority	349.462	335.088	372.156	408.964	430.098	438.484	1,984.791
Outlays	349.462	335.088	372.156	408.964	430.098	438.484	1,984.791
920 Allowances							
Budget Authority	13.000	-1.087	-8.067	-8.239	-8.416	-8.596	-34.406
Outlays	13.000	4.351	-7.460	-8.030	-8.134	-9.281	-28.555
950 Undistributed Offsetting Receipts							
Budget Authority	-99.495	-80.956	-85.306	-88.917	-92.612	-97.087	-444.878
Outlays	-99.495	-80.956	-85.306	-88.917	-92.612	-97.087	-444.878
Off Budget Authority	-13.165	-13.896	-14.661	-15.553	-16.508	-17.396	-78.014
Outlays	-13.165	-13.896	-14.661	-15.553	-16.508	-17.396	-78.014
On Budget Authority	-86.330	-67.060	-70.645	-73.364	-76.104	-79.691	-366.864
Outlays	-86.330	-67.060	-70.645	-73.364	-76.104	-79.691	-366.864

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending**

\$ billions	2008	2009	2010	2011	2012	2013	2009-2013
Summary							
TOTAL MANDATORY							
Budget Authority	1,888.964	1,951.530	2,053.353	2,194.497	2,242.253	2,373.733	10,815.367
Outlays	1,824.683	1,890.584	1,991.013	2,130.571	2,176.390	2,312.453	10,501.012
OFF-BUDGET							
Budget Authority	467.833	497.448	523.322	543.558	569.680	599.269	2,733.277
Outlays	464.946	494.607	520.458	540.187	565.949	595.244	2,716.445
ON-BUDGET							
Budget Authority	1,421.131	1,454.082	1,530.031	1,650.939	1,672.573	1,774.464	8,082.090
Outlays	1,359.737	1,395.977	1,470.555	1,590.384	1,610.441	1,717.209	7,784.567
By Function							
050 National Defense							
Budget Authority	3.465	4.728	4.875	5.064	5.110	5.069	24.846
Outlays	3.437	4.705	4.873	5.037	5.075	5.058	24.748
150 International Affairs							
Budget Authority	-4.054	-1.202	-0.528	-0.442	-0.473	-0.886	-3.531
Outlays	-5.489	-2.662	-2.027	-1.986	-2.054	-2.516	-11.245
250 General Science, Space and Technology							
Budget Authority	0.125	0.125	0.125	0.125	0.125	0.125	0.625
Outlays	0.107	0.114	0.125	0.131	0.124	0.120	0.614
270 Energy							
Budget Authority	-1.438	-1.423	-1.434	-1.451	-1.478	-1.505	-7.291
Outlays	-2.222	-2.315	-2.345	-2.332	-2.324	-2.316	-11.632
300 Natural Resources and Environment							
Budget Authority	0.853	1.095	1.212	1.248	1.244	1.239	6.038
Outlays	0.539	0.630	1.099	1.235	1.330	1.329	5.623
350 Agriculture							
Budget Authority	16.539	15.364	15.415	15.434	15.639	15.827	77.679
Outlays	15.411	15.166	14.458	14.495	14.895	15.105	74.119
370 Commerce and Housing Credit							
Budget Authority	9.605	5.806	5.344	4.954	5.268	5.668	27.040
Outlays	3.711	0.128	-1.855	-2.499	-2.237	-2.340	-8.803
Off Budget Authority	1.200	1.000	0.300	-0.300	-0.300	-0.300	0.400
Outlays	1.200	1.000	0.300	-0.300	-0.300	-0.300	0.400
On Budget Authority	8.405	4.806	5.044	5.254	5.568	5.968	26.640
Outlays	2.511	-0.872	-2.155	-2.199	-1.937	-2.040	-9.203
400 Transportation							
Budget Authority	52.906	47.861	49.033	49.261	49.480	49.697	245.332
Outlays	1.658	2.089	2.224	2.343	2.408	2.488	11.552
450 Community and Regional Development							
Budget Authority	-0.247	0.025	0.026	0.027	0.029	0.029	0.136
Outlays	0.049	1.310	1.159	-0.228	-0.221	-0.212	1.808
500 Education, Training, Employment, and Social Services							
Budget Authority	10.306	9.940	14.333	15.590	16.018	8.085	63.966
Outlays	9.661	7.996	11.268	14.371	13.891	11.200	58.726

550 Health							
Budget Authority	232.470	250.496	267.286	287.047	308.817	332.877	1,446.523
Outlays	233.571	251.115	268.003	286.963	308.511	332.425	1,447.017
570 Medicare							
Budget Authority	385.529	414.964	439.795	488.721	485.441	544.851	2,373.772
Outlays	385.443	414.774	439.955	488.577	485.237	545.010	2,373.553
600 Income Security							
Budget Authority	337.562	356.231	360.025	368.296	353.177	367.394	1,805.123
Outlays	336.138	354.480	358.542	366.748	351.695	366.144	1,797.609
650 Social Security							
Budget Authority	614.576	649.052	683.277	718.341	759.830	805.827	3,616.327
Outlays	611.689	646.211	680.413	714.970	756.099	801.802	3,599.495
Off Budget Authority	595.198	627.744	659.483	691.011	729.488	772.665	3,480.391
Outlays	592.311	624.903	656.619	687.640	725.757	768.640	3,463.559
On Budget Authority	19.378	21.308	23.794	27.330	30.342	33.162	135.936
Outlays	19.378	21.308	23.794	27.330	30.342	33.162	135.936
700 Veterans Benefits and Services							
Budget Authority	43.103	45.118	46.623	51.040	46.897	51.354	241.032
Outlays	42.976	44.959	46.455	50.993	46.667	51.124	240.198
750 Administration of Justice							
Budget Authority	0.745	2.982	0.790	0.684	0.568	0.445	5.469
Outlays	0.963	1.621	1.583	1.213	0.576	0.451	5.444
800 General Government							
Budget Authority	39.352	6.636	2.106	2.111	2.075	1.940	14.868
Outlays	39.474	6.531	2.033	2.093	2.232	1.884	14.773
900 Net Interest							
Budget Authority	234.062	217.688	250.356	277.364	287.098	282.784	1,315.291
Outlays	234.062	217.688	250.356	277.364	287.098	282.784	1,315.291
Off Budget Authority	-115.400	-117.400	-121.800	-131.600	-143.000	-155.700	-669.500
Outlays	-115.400	-117.400	-121.800	-131.600	-143.000	-155.700	-669.500
On Budget Authority	349.462	335.088	372.156	408.964	430.098	438.484	1,984.791
Outlays	349.462	335.088	372.156	408.964	430.098	438.484	1,984.791
920 Allowances							
Budget Authority	13.000	7.000	0.000	0.000	0.000	0.000	7.000
Outlays	13.000	7.000	0.000	0.000	0.000	0.000	7.000
950 Undistributed Offsetting Receipts							
Budget Authority	-99.495	-80.956	-85.306	-88.917	-92.612	-97.087	-444.878
Outlays	-99.495	-80.956	-85.306	-88.917	-92.612	-97.087	-444.878
Off Budget Authority	-13.165	-13.896	-14.661	-15.553	-16.508	-17.396	-78.014
Outlays	-13.165	-13.896	-14.661	-15.553	-16.508	-17.396	-78.014
On Budget Authority	-86.330	-67.060	-70.645	-73.364	-76.104	-79.691	-366.864
Outlays	-86.330	-67.060	-70.645	-73.364	-76.104	-79.691	-366.864

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending**

\$ billions	2008	2009	2010	2011	2012	2013	2009-2013
Summary							
TOTAL DISCRETIONARY							
Budget Authority	1,163.534	1,085.381	1,031.162	1,042.248	1,059.808	1,078.965	5,297.564
Outlays	1,122.244	1,185.469	1,151.562	1,123.975	1,112.836	1,128.195	5,702.036
DEFENSE							
Budget Authority	689.808	607.769	545.539	551.962	560.690	571.154	2,837.114
Outlays	600.852	640.728	602.159	572.888	556.591	565.445	2,937.811
NONDEFENSE							
Budget Authority	473.726	477.612	485.623	490.286	499.118	507.811	2,460.450
Outlays	521.392	544.741	549.403	551.087	556.245	562.750	2,764.225
By Function							
050 National Defense							
Budget Authority	689.808	607.769	545.539	551.962	560.690	571.154	2,837.114
Outlays	600.852	640.728	602.159	572.888	556.591	565.445	2,937.811
150 International Affairs							
Budget Authority	42.662	35.674	36.191	36.764	37.339	37.910	183.879
Outlays	39.260	39.986	37.925	37.500	37.469	37.598	190.478
250 General Science, Space and Technology							
Budget Authority	27.282	29.811	30.244	30.723	31.207	31.691	153.676
Outlays	26.349	28.567	30.155	30.976	31.514	31.503	152.715
270 Energy							
Budget Authority	4.986	8.449	8.369	8.367	8.373	8.363	41.921
Outlays	3.903	5.158	6.878	7.813	8.305	8.475	36.629
300 Natural Resources and Environment							
Budget Authority	31.707	38.653	33.493	34.151	34.842	35.548	176.687
Outlays	33.901	35.600	35.915	35.958	36.040	36.403	179.916
350 Agriculture							
Budget Authority	5.884	6.013	6.117	6.231	6.355	6.480	31.197
Outlays	6.084	5.961	6.043	6.164	6.281	6.408	30.857
370 Commerce and Housing Credit							
Budget Authority	3.361	4.802	6.356	2.734	2.744	2.579	19.215
Outlays	3.167	4.894	5.984	3.298	2.713	2.528	19.417
Off Budget Authority	0.250	0.258	0.267	0.275	0.284	0.293	1.377
Outlays	0.237	0.258	0.267	0.275	0.284	0.293	1.377
On Budget Authority	3.111	4.544	6.089	2.459	2.460	2.286	17.838
Outlays	2.930	4.636	5.717	3.023	2.429	2.235	18.040
400 Transportation							
Budget Authority	30.883	27.270	29.042	29.652	30.283	30.943	147.190
Outlays	76.212	81.222	83.280	84.436	86.107	88.046	423.091
450 Community and Regional Development							
Budget Authority	20.276	14.999	15.209	15.446	15.687	15.920	77.260
Outlays	27.770	23.082	20.921	18.430	16.380	16.059	94.873
500 Education, Training, Employment, and Social Services							
Budget Authority	81.075	84.201	89.558	90.896	92.237	93.575	450.467
Outlays	81.251	83.116	87.109	89.323	90.967	92.426	442.943

550 Health							
Budget Authority	53.638	58.908	57.577	58.511	59.456	60.406	294.859
Outlays	53.640	56.159	57.282	57.772	58.580	59.380	289.172
570 Medicare							
Budget Authority	4.929	5.425	5.585	5.756	5.958	6.188	28.911
Outlays	5.011	5.376	5.558	5.728	5.926	6.151	28.739
600 Income Security							
Budget Authority	56.029	55.517	56.287	57.129	58.281	59.324	286.540
Outlays	58.475	62.707	59.589	59.432	59.892	60.465	302.084
650 Social Security							
Budget Authority	5.160	5.473	5.623	5.788	5.962	6.147	28.993
Outlays	4.989	5.476	5.581	5.759	5.932	6.115	28.862
Off Budget Authority	5.160	5.473	5.623	5.788	5.962	6.147	28.993
Outlays	4.989	5.476	5.581	5.759	5.932	6.115	28.862
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
700 Veterans Benefits and Services							
Budget Authority	43.262	48.150	48.992	49.919	50.885	51.887	249.833
Outlays	40.575	47.393	48.939	49.755	50.397	51.397	247.881
750 Administration of Justice							
Budget Authority	45.537	44.516	47.187	48.182	49.210	50.282	239.377
Outlays	43.359	44.790	47.572	48.467	49.175	49.974	239.979
800 General Government							
Budget Authority	17.055	17.838	17.860	18.276	18.713	19.163	91.850
Outlays	17.446	17.901	18.133	18.306	18.700	19.103	92.143
900 Net Interest							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
920 Allowances							
Budget Authority	0.000	-8.087	-8.067	-8.239	-8.416	-8.596	-41.406
Outlays	0.000	-2.649	-7.460	-8.030	-8.134	-9.281	-35.555
950 Undistributed Offsetting Receipts							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS**

\$ billions	2008	2009	2010	2011	2012	2013	2009-2013
Discretionary							
Defense							
BA	689.808	607.769	545.539	551.962	560.690	571.154	2,837.114
OT	600.852	640.728	602.159	572.888	556.591	565.445	2,937.811
Nondefense							
BA	473.726	477.612	485.623	490.286	499.118	507.811	2,460.450
OT	521.392	544.741	549.403	551.087	556.245	562.750	2,764.225
Subtotal							
BA	1,163.534	1,085.381	1,031.162	1,042.248	1,059.808	1,078.965	5,297.564
OT	1,122.244	1,185.469	1,151.562	1,123.975	1,112.836	1,128.195	5,702.036
Mandatory Outlays	1,590.621	1,672.896	1,740.657	1,853.207	1,889.292	2,029.669	9,185.721
Net Interest Outlays	234.062	217.688	250.356	277.364	287.098	282.784	1,315.291
Total Outlays	2,946.927	3,076.053	3,142.575	3,254.546	3,289.225	3,440.647	16,203.048
Revenues	2,538.593	2,709.754	2,933.560	3,205.056	3,465.929	3,600.160	15,914.459
Change in Revenues	-7.652	-83.246	17.125	4.563	2.816	0.376	-58.366
Unified Deficit/Surplus	-408.334	-366.299	-209.015	-49.490	176.704	159.513	-288.589
% of GDP	-2.9%	-2.5%	-1.3%	-0.3%	1.0%	0.9%	-0.4%
Debt Held By Public	5,418.643	5,801.633	6,029.151	6,096.509	5,936.083	5,793.011	--
% of GDP	38.0%	39.3%	38.7%	37.0%	34.3%	32.0%	
Public Debt	9,618.792	10,276.776	10,801.592	11,182.340	11,375.053	11,573.680	--
% of GDP	67.5%	69.6%	69.3%	67.8%	65.8%	64.0%	
GDP	14,241.7	14,772.9	15,589.0	16,489.5	17,284.4	18,077.2	82,213.0

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS**

% GDP	2008	2009	2010	2011	2012	2013	2009-2013
Discretionary Outlays:							
Defense	4.2%	4.3%	3.9%	3.5%	3.2%	3.1%	3.6%
Nondefense	3.7%	3.7%	3.5%	3.3%	3.2%	3.1%	3.4%
Total Discretionary	7.9%	8.0%	7.4%	6.8%	6.4%	6.2%	6.9%
Mandatory Outlays	11.2%	11.3%	11.2%	11.2%	10.9%	11.2%	11.2%
Net Interest Outlays	1.6%	1.5%	1.6%	1.7%	1.7%	1.6%	1.6%
Total Outlays	20.7%	20.8%	20.2%	19.7%	19.0%	19.0%	19.7%
Revenues	17.8%	18.3%	18.8%	19.4%	20.1%	19.9%	19.4%
Unified Deficit/Surplus	-2.9%	-2.5%	-1.3%	-0.3%	1.0%	0.9%	-0.4%
Debt Held By Public	38.0%	39.3%	38.7%	37.0%	34.3%	32.0%	--
Public Debt	67.5%	69.6%	69.3%	67.8%	65.8%	64.0%	--
GDP (\$)	14,241.7	14,772.9	15,589.0	16,489.5	17,284.4	18,077.2	82,213.0

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending Summary**

BA, \$ billions	2008	2009	2010	2011	2012	2013	2009-2013
Defense	689.808	607.769	545.539	551.962	560.690	571.154	2,837.114
Nondefense	473.726	477.612	485.623	490.286	499.118	507.811	2,460.450
Total Discretionary	1,163.534	1,085.381	1,031.162	1,042.248	1,059.808	1,078.965	5,297.564
Memorandum:							
War Funding	108.056	70.000	0.000	0.000	0.000	0.000	70.000
Hurricane Katrina*	0.000	5.761	0.000	0.000	0.000	0.000	5.761
Program Integrity Adjustments*	<u>0.000</u>	<u>1.138</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>0.000</u>	<u>1.138</u>
Remaining Discretionary Funding	1,055.478	1,008.482	1,031.162	1,042.248	1,059.808	1,078.965	5,220.665

*In addition to adjustments in 2008 and 2009 for funding for the cost of the wars in Iraq and Afghanistan, the resolution assumes another \$1.138 billion in contingent cap adjustments, including: Continuing Disability Reviews and SSI Redeterminations, Internal Revenue Service Tax Enforcement, Health Care Fraud and Abuse Control, Comparative Effectiveness Research, Unemployment Insurance Improper Payment Reviews, and Reducing Waste in Defense Contracting. In all cases, cap adjustments will be withheld in reserve from the Appropriations Committee's allocation until the Committee meets the conditions required for their release. The resolution also matches the President's request for \$5.761 billion in emergency construction funding related to Hurricane Katrina.

**FISCAL YEAR 2009 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
AGGREGATE REVENUE SUMMARY**

\$ billions	2008	2009	2010	2011	2012	2013	2009-2013
CBO March Baseline Revenues	2,546.245	2,793.000	2,916.435	3,200.493	3,463.113	3,599.784	15,972.825
Chairman's Mark Revenues	2,538.593	2,709.754	2,933.560	3,205.056	3,465.929	3,600.160	15,914.459
<i>Total Change in Revenues</i>	-7.652	-83.246	17.125	4.563	2.816	0.376	-58.366
<i>Revenue Changes Withheld From Sec. 311 Aggregate: Emergency Stimulus II Bill</i>	-7.000	-3.000	0.000	0.000	0.000	0.000	-3.000
Change in Revenues Assumed under Sec. 311 Revenue Aggregate	-0.652	-80.246	17.125	4.563	2.816	0.376	-55.366
Total Revenues Assumed for Purposes of Sec. 311 Revenue Aggregate	2,545.593	2,712.754	2,933.560	3,205.056	3,465.929	3,600.160	15,917.459

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 2008
(in millions of dollars)

Committee	Direct spending legislation		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
General Purpose Discretionary	1,055,478	1,093,343		
Memo: <i>off-budget</i>	5,410	5,226		
<i>on-budget</i>	1,050,068	1,088,117		
Mandatory	<u>585,962</u>	<u>569,537</u>		
Total	1,641,440	1,662,880		
Agriculture, Nutrition, and Forestry	12,279	14,418	74,287	58,027
Armed Services	119,050	118,842	105	101
Banking, Housing, and Urban Affairs	15,285	1,628	0	0
Commerce, Science, and Transportation	14,064	9,363	1,182	1,126
Energy and Natural Resources	4,800	5,214	62	61
Environment and Public Works	39,606	2,198	0	0
Finance	1,100,977	1,102,975	442,523	442,584
Foreign Relations	15,852	15,819	159	159
Homeland Security and Governmental Affairs	86,027	84,221	10,573	10,573
Judiciary	7,262	7,533	611	610
Health, Education, Labor, and Pensions	9,999	9,820	13,208	13,229
Rules and Administration	70	225	122	121
Intelligence	0	0	263	263
Veterans' Affairs	746	801	42,867	42,683
Indian Affairs	453	451	0	0
Small Business	-333	-333	0	0
Unassigned to Committee	<u>-604,458</u>	<u>-596,472</u>	<u>0</u>	<u>0</u>
TOTAL	2,463,119	2,439,583	585,962	569,537

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

Committee	Direct spending legislation		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
General Purpose Discretionary	1,008,482	1,108,449		
Memo: <i>off-budget</i>	5,731	5,734		
<i>on-budget</i>	1,002,751	1,102,715		
Mandatory	<u>621,707</u>	<u>608,653</u>		
Total	1,630,189	1,717,102		
Agriculture, Nutrition, and Forestry	12,773	12,185	76,307	63,526
Armed Services	126,030	125,863	105	100
Banking, Housing, and Urban Affairs	12,680	-1,239	0	0
Commerce, Science, and Transportation	14,532	10,250	1,149	1,145
Energy and Natural Resources	5,098	4,846	62	63
Environment and Public Works	33,583	2,291	0	0
Finance	1,087,289	1,088,776	473,803	473,788
Foreign Relations	15,966	15,955	149	149
Homeland Security and Governmental Affairs	89,749	87,732	10,599	10,599
Judiciary	9,749	8,414	624	627
Health, Education, Labor, and Pensions	9,594	8,189	14,129	14,116
Rules and Administration	69	19	127	127
Intelligence	0	0	279	279
Veterans' Affairs	1,166	1,247	44,374	44,134
Indian Affairs	529	542	0	0
Small Business	0	0	0	0
Unassigned to Committee	<u>-594,692</u>	<u>-586,021</u>	<u>0</u>	<u>0</u>
TOTAL	2,454,304	2,496,151	621,707	608,653

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
5-YEAR TOTAL: 2009-2013
(in millions of dollars)

Committee	Direct spending legislation		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget Authority	Outlays
Agriculture, Nutrition, and Forestry	65,715	62,597	387,350	329,869
Armed Services	668,567	667,908	456	458
Banking, Housing, and Urban Affairs	66,961	-10,748	0	0
Commerce, Science, and Transportation	76,718	49,960	6,322	6,294
Energy and Natural Resources	25,447	25,069	302	303
Environment and Public Works	172,151	11,831	0	0
Finance	6,155,751	6,162,560	2,703,905	2,703,728
Foreign Relations	73,053	73,024	660	660
Homeland Security and Governmental Affairs	484,637	472,579	51,467	51,467
Judiciary	40,735	41,031	3,207	3,241
Health, Education, Labor, and Pensions	62,658	60,041	79,175	78,944
Rules and Administration	341	343	685	685
Intelligence	0	0	1,481	1,481
Veterans' Affairs	5,595	6,208	236,997	235,550
Indian Affairs	2,158	2,216	0	0
Small Business	0	0	0	0

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2008-2013
(Millions of dollars)

	Corporations						Individuals					
	2008	2009	2010	2011	2012	2009-13	2008	2009	2010	2011	2012	2009-13
National Defense:												
Exclusion of benefits and allowances to armed forces personnel							3,350	3,480	3,620	3,780	3,930	4,090
International affairs:												
Exclusion of income earned abroad by U.S. citizens							2,760	2,900	3,050	3,200	3,360	3,520
Exclusion of certain allowances for Federal employees abroad							880	920	970	1,020	1,070	1,120
Inventory property sales source rules exception	2,160	2,410	2,610	2,820	3,080	3,310	14,210					16,040
Deferral of income from controlled foreign corporations (normal tax method)	13,120	13,790	14,480	15,220	15,980	16,810	76,280					5,100
Deferred taxes for financial firms on certain income earned overseas	2,490	1,060				1,060						
General science, space and technology:												
Expensing of research and experimentation expenditures (normal tax method)	4,520	4,880	4,380	4,220	4,300	4,320	22,110	100	100	90	100	100
Credit for increasing research activities	4,610	2,100	920	360	70	3,450	50					490
Energy:												
Expensing of exploration and development costs, fuels	440	400	340	270	210	130	1,350	70	60	50	40	20
Excess of percentage over cost depletion, fuels	820	800	820	790	770	790	4,000	90	90	90	80	80
Alternative fuel production credit	1,260	70	80	10	10	10	170	50	20	20	20	20
Exemption from passive loss limitation for working interests in oil and gas properties								20	20	20	30	30
Exclusion of interest on energy facility bonds								20	20	20	20	20
New technology credit	10	10	10	10	10	10	50	20	10	10	10	10
Alcohol fuel credits 1 ¹	730	910	940	920	910	880	4,550	100	100	100	100	100
Bio-Diesel and small agri-biodiesel producer tax credits	30	40	40	40	40	40	100	10	10	10	10	10
Exclusion of interest on energy conservation vehicles								20	20	20	20	20
Exclusion of utility conservation subsidies								20	20	20	20	20
Credit for holding clean renewable energy bonds								20	20	20	20	20
Deferral of gain from dispositions of transmission property to implement FERC policy	10	20	20	20	20	20	100	30	50	50	50	50
Credit for investment in clean coal facilities	250	-60	-250	-450	-590	-570	-2,000					
Inventory depletion for investments in the refining of liquid fuel	50	60	130	180	245	280	925					
Inventory depletion for investments in the refining of solid fuel	100	200	410	530	670	810	3,120					
Natural gas distribution pipelines treated as 15-year property	60	80	110	120	110	110	520					
Amortize all geological and geophysical expenditures over two years	30	20	10	10	10	10	60	10	10	10	10	10
Allowance of deduction for certain energy efficient commercial building property	130	70	20	10			90	40	20	10		30
Credit for construction of new energy efficient homes								30	10			
Credit for energy efficient improvements to existing homes								150				
Credit for energy efficient improvements to existing homes								10	10	10	10	10
30% credit for residential purchases/installations of solar and fuel cells	30	10					10	100	40	-10	-10	-10
Partial expensing for advanced mine safety equipment	20											
Natural resources and environment:												
Expensing of exploration and development costs, nonfuel minerals	10	10	10	10	10	10	50					
Excess of percentage over cost depletion, nonfuel minerals	380	390	410	420	430	450	2,100	20	20	30	30	30
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	120	130	130	130	140	140	670	270	280	290	300	310
Capital gains treatment of certain timber income	180	190	190	200	210	210	1,000	190	190	200	190	150
Charitable deductions for contributions of historic structures	330	340	360	380	400	420	1,900	100	100	110	120	120
Tax incentives for preservation of historic structures	30	50	30	-10			70					
Expensing of capital costs with respect to complying with EPA sulfur regulations	20	30	30	30	30	30	130	10	10	10	10	10
Exclusion of gain or loss on sale or exchange of certain brownfield sites												
Agriculture:												
Expensing of certain capital outlays	10	10	10	10	10	10	50	100	100	110	110	110
Expensing of certain multiperiod production costs	10	10	10	10	10	10	50	10	70	60	80	390
Treatment of loans forgiven for solvent farmers								10	10	20	20	20
Capital gains treatment of certain income								1,030	1,030	1,060	1,060	800
Income averaging for farmers								60	80	80	80	80
Deferral of gain on sale of farm realtors	20	20	20	20	20	20	100					

Commerce and housing:														
Financial institutions and insurance:														
Exemption of credit union income	1,380	1,450	1,330	1,510	1,690	1,780	8,090	18,100	20,560	22,100	24,340	27,270	29,850	124,140
Excess bad debt reserves of financial institutions	10	10	10	10	10	20	20	40	50	60	70	80	90	2,960
Exclusion of interest on life insurance savings	2,740	2,920	3,100	3,280	3,460	3,740	16,500	40	50	60	70	80	90	3,930
Small life insurance company deduction	10	10	10	10	10	20	210	10	10	10	10	10	10	576,680
Exclusion of interest spread of financial institutions	50	50	50	50	50	60	270	450	460	500	530	660	680	770
Mortgage:														
Exclusion of interest on owner-occupied mortgage subsidy bonds	300	310	320	330	340	350	1,600	60	60	700	730	750	770	3,930
Exclusion of interest on rental housing bonds	270	280	290	300	310	320	1,550	60	60	60	60	60	60	3,930
Deductibility of mortgage interest on owner-occupied homes								94,790	100,810	107,020	115,380	123,130	130,440	576,680
Deductibility of mortgage interest on rental housing bonds								18,360	18,640	18,820	22,230	34,570	35,400	131,660
Capital gains exclusion on home sales	310	320	320	320	330	330	1,620	33,950	34,710	35,440	38,190	40,120	42,180	191,960
Exclusion of net imputed rental income								5,440	7,550	10,476	14,543	20,183	28,012	86,756
Exclusion of net imputed rental income								8,430	6,640	9,189	9,560	10,090	10,240	47,910
Credit for low-income housing investments	4,960	5,360	5,720	6,040	6,330	6,590	30,040	10,120	11,060	11,980	13,770	15,300	16,830	68,740
Accelerated depreciation on rental housing (normal tax method)	660	700	740	690	650	620	4,020	233	228	176				415
Commerce:														
Cancellation of indebtedness								90	60	40	30	30	30	190
Exemptions from imputed interest rules								65,540	55,640	56,170	57,490	41,330	43,240	257,220
Capital gains exclusion of small corporation stock								35,800	36,720	37,650	38,450	41,010	42,030	197,720
Step-up basis of capital gains on gifts								760	800	1,270	6,340	1,500	1,600	11,510
Carryover basis of capital gains on gifts								50	90	60	60	60	60	290
Accelerated depreciation of buildings other than rental housing (normal tax method)	-1,240	-1,110	-990	-890	-800	-740	-4,450	13,640	15,520	16,630	15,240	16,750	18,850	82,090
Accelerated depreciation of machinery and equipment (normal tax method)	21,540	28,800	34,130	38,090	41,690	45,440	167,950	2,940	2,770	720	-570	-580	66	2,420
Exclusion of interest on small business bonds	720	630	520	390	280	140	490	280	270	260	260	290	300	1,430
Exclusion of interest on small business bonds	5,720	5,400	5,000	4,600	4,200	3,800	20,310	3,310	3,540	5,050	6,650	7,400	7,770	30,580
Exclusion of interest on small business bonds	120	120	130	130	130	140	890	10	-10	-20	-10	-10	-10	-50
Deduction for US production activities	10,710	11,690	16,030	19,340	20,310	21,320	96,690							
Special rules for certain film and TV production	60	-30	-70	-90	-40	-30	-220							
Transportation:														
Exclusion of tax on shipping companies	20	20	20	20	20	20	100	2,560	3,070	3,200	3,310	3,430	3,540	16,650
Exclusion of tax on shipping companies								440	40	500	520	550	580	2,610
Tax credit for certain expenditures for maintaining railroad trucks	120	40	20	10	10	10	80	60	70	70	70	70	60	330
Community and regional development:														
Investment credit for rehabilitation of structures (other than historic)	20	20	20	20	20	20	100	620	640	660	660	700	720	3,400
Exclusion of interest for airport, canal, and similar bonds	280	290	300	310	320	330	1,550	620	640	660	660	700	720	3,400
Exemption of certain mutual fund and cooperative income	70	70	70	70	70	80	390	110	130	130	140	150	160	710
Exemption of certain mutual fund and cooperative income	250	240	210	180	140	80	850	740	700	650	550	450	260	2,640
Expenditure of environmental remediation costs	110	-30	-20	-20	-20	-10	-100							
Credit to holders of Gulf Tax Credit Bonds														
Education, training, employment and social services:														
Exclusion of scholarship and fellowship income (normal tax method)								1,950	2,050	2,150	2,250	2,360	2,470	11,390
HOPE tax credit								3,300	3,540	3,750	4,400	4,790	4,990	21,600
Exclusion of interest on bonds for private nonprofit educational facilities								2,220	2,340	2,420	2,810	3,050	3,180	13,600
Education individual retirement accounts								30	30	40	70	80	90	380
Deductibility of student loan interest								820	830	840	780	530	540	3,320
Deduction for higher education expenses								1,160	1,200	1,600	2,020	2,280	2,430	9,620
Exclusion of interest on student loan bonds								1,440	1,200	1,600	2,020	2,280	2,430	9,620
Exclusion of interest on bonds for private nonprofit educational facilities	140	150	160	160	160	170	710	3,290	1,300	1,300	1,410	1,460	1,480	7,740
Exclusion of interest on bonds for private nonprofit educational facilities	550	600	620	640	660	680	3,200	1,290	1,300	1,300	1,410	1,460	1,480	7,740
Exclusion of interest on bonds for private nonprofit educational facilities	160	170	170	170	170	160	140	810						
Exclusion of interest on bonds for private nonprofit educational facilities								1,880	1,720	1,720	2,020	2,100	2,100	100
Parental personal exemption for students age 19 or over								4,250	4,600	4,950	5,360	5,810	6,180	25,910
Deductibility of charitable contributions (education)								660	690	730	40			1,460
Exclusion of interest on bonds for private nonprofit educational facilities								20	20	20	20	20	20	100
Special deduction for teacher expenses								3,720	830	790				
Discharge of student loan indebtedness								20	20	20	20	20	20	100

Training, employment and social services	440	510	560	550	410	220	2,250	50	90	120	120	90	46	460
	80	40	20	10	10		60	20	10	1,400	1,470	1,520	1,600	7,470
	10	10	20	10			40	380	420	450	460	520	960	2,430
								1,340	1,400	1,470	1,480	1,520	1,600	7,470
Work opportunity tax credit														
Welfare-to-work tax credit														
Employer provided child care exclusion														
Assistant for adopted foster children														
Exclusion of employee meals and lodging (other than military)														
Child credit 2/														
Credit for child and dependent care expenses														
Credit for disabled access expenditures														
Exclusion of interest on hospital construction bonds														
Exclusion of interest on certain private activity bonds														
Exclusion of certain post-care payments														
Exclusion of pension allowances														
Employee retention credit for employers affected by Hurricane Katrina, Rita, and Wilma														
Exclusion for benefits provided to volunteer EMS and firefighters														
Health:														
Exclusion of employer contributions for medical insurance premiums and medical care														
Self-employed medical insurance premiums														
Medical Savings Accounts/Health Savings Accounts														
Deductibility of medical expenses														
Exclusion of interest on hospital construction bonds														
Exclusion of interest on certain private activity bonds														
Tax credit for orphan drug research														
Special Blue Cross/Blue Shield deduction														
Tax credit for health insurance purchased by certain displaced and retired individuals 3/														
Distributions from retirement plans for premiums for health and long-term care insurance														
Income Security:														
Exclusion of railroad retirement system benefits														
Exclusion of workers' compensation benefits														
Exclusion of public assistance benefits (normal tax method)														
Exclusion of special benefits for disabled coal miners														
Exclusion of certain disability payments														
Net exclusion of pension contributions and earnings:														
Employer plans														
401(k) plans														
Individual Retirement Accounts														
Low and moderate income savers credit														
Keogh plans														
Exclusion of other employee benefits:														
Premiums on group term life insurance														
Premiums on accident and disability insurance														
Income of trusts to finance supplementary unemployment benefits														
Exclusion of certain death benefits														
Additional deduction for the blind														
Additional deduction for the elderly														
Tax credit for the elderly and disabled														
Deductibility of casualty losses														
Earned income tax credit														
Additional exemption for housing Hurricane Katrina displaced individuals														
Social Security:														
Exclusion of Social Security benefits for retired workers:														
Social Security benefits for retired workers														
Social Security benefits for survivors														
Social Security benefits for dependents and survivors														
Veterans benefits and services:														
Exclusion of veterans' death benefits and disability compensation														
Exclusion of veterans' pensions														
Exclusion of interest on veterans' housing bonds														

General purpose fiscal assistance: Exclusion of interest on public purpose State and local bonds Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	7,840	8,080	8,320	8,570	8,830	9,090	42,890	17,300	17,820	18,350	18,900	19,470	20,060	94,600
								32,730	33,200	34,450	54,470	66,030	68,390	256,540
Interest: Deferral of interest on U.S. savings bonds								1,310	1,320	1,330	1,380	1,470	1,490	6,990
Addendum: Aid to State and local governments: Deductibility of: Property taxes on owner-occupied homes Nonbusiness State and local taxes other than on owner-occupied homes Exclusion of interest on State and local bonds:	7,840	8,080	8,320	8,570	8,830	9,090	42,890	17,300	17,820	18,350	18,900	19,470	20,060	94,600
Public purposes	10	10	10	10	10	10	50	20	20	20	20	20	20	100
Energy facilities	120	130	130	130	140	140	670	270	280	290	300	300	310	1,480
Water, sewage, and hazardous waste disposal facilities	120	120	130	130	130	140	650	260	270	280	290	290	300	1,430
Small-issues	300	310	320	330	340	350	1,650	660	680	700	730	750	770	3,630
Owner-occupied mortgage subsidies	270	280	290	300	310	320	1,500	610	620	640	660	680	700	3,300
Rental housing	290	290	300	310	320	330	1,550	620	640	660	680	700	720	3,400
Airports, docks, and similar facilities	140	150	150	160	160	170	790	320	330	340	350	360	370	1,750
Student loans	580	600	620	640	660	680	3,200	1,290	1,330	1,350	1,410	1,450	1,490	7,040
Private nonprofit education facilities	920	950	970	1,000	1,030	1,080	5,010	2,030	2,090	2,150	2,210	2,280	2,350	11,080
Hospital construction	10	10	10	10	10	10	50	20	20	20	20	20	20	100
Veterans' housing	160	170	170	170	160	140	810							
Credit for holders of zone academy bonds														

1/ In addition, the alcohol fuel credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 - \$4,020; 2010 - \$4,560; 2011 - \$1,330; 2012 - \$0; and 2013 - \$0.
2/ The figures in the table indicate the effect of the child tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 - \$18,921; 2010 - \$18,780; 2011 - \$16,738; 2012 - \$1,554; and 2013 - \$1,537.
3/ The figures in the table indicate the effect of the health insurance tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 - \$110; 2010 - \$100; 2011 - \$140; 2012 - \$150; and 2013 - \$160.
4/ The figures in the table indicate the effect of the earned income tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 - \$39,460; 2010 - \$42,940; 2011 - \$43,460; 2012 - \$39,880; and 2013 - \$40,860.

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

Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method.

All estimates have been rounded to the nearest \$10 million. Provisions with estimates that rounded to zero in each year are not included in the table.

Source: Department of the Treasury, Office of Management of Budget. From the "Analytical Perspectives" volume of the Budget of the U.S. Government, Fiscal Year 2009.

10. COMMITTEE VIEWS AND ESTIMATES

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United States Senate

COMMITTEE ON
 AGRICULTURE, NUTRITION, AND FORESTRY
 WASHINGTON, DC 20510-6000
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February 22, 2008

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

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

Dear Mr. Chairman and Senator Gregg:

This letter provides the views of the Senate Committee on Agriculture, Nutrition and Forestry regarding the fiscal year 2009 (FY09) budget resolution. These views are provided in response to your February 5, 2008 letter and are in accordance with the requirements of the Congressional Budget Act. We thank you for this opportunity to provide these data, views and recommendations regarding the FY09 budget resolution process.

Our Committee's jurisdiction includes a number of important programs covering food, agriculture, forestry, and related matters. Mandatory spending within our jurisdiction includes farm income support, agricultural trade, international food assistance, conservation, energy, rural development, research, and crop insurance. Our committee also authorizes a range of programs funded through annual appropriations. Many of these programs were due to expire late last year and have been extended while work continues on reauthorization of legislation which is now in conference.

Mandatory spending outlays under the Committee's jurisdiction are projected to be \$72.2 billion in fiscal year 2008 (FY08). The January 2008 Congressional Budget Office (CBO) baseline projects that mandatory spending under our jurisdiction will increase modestly over the baseline period - by about 2.9 percent per year - to \$97.2 billion by fiscal year 2018 (FY18) assuming that current law governing these programs continues without change. By contrast, mandatory spending in the federal budget outside the jurisdiction of our Committee is projected by CBO to grow more rapidly - nearly 6.4 percent per year - to \$2.71 trillion by FY18. In FY18, mandatory spending by the U.S. Department of Agriculture is projected to account for less than 3.6 percent of total mandatory spending by the federal government assuming a continuation of current law governing such programs, down from 5.2 percent in FY06.

Web site: <http://www.senate.gov/agriculture>
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The Honorable Kent Conrad
 The Honorable Judd Gregg
 February 22, 2008
 Page two

On December 14, 2007, the Senate completed work on its version of the new farm bill, which included higher spending for several programs under the Committee's jurisdiction which it views as priorities. While we hope to see the new farm bill enacted into law before the FY09 budget resolution takes effect, significant gaps remain between the House and Senate versions on many issues, so such an outcome is by no means certain. In the event a new farm bill is not completed, we respectfully request that the FY09 Budget Resolution provide needed additional funds in a reserve account for reauthorization of the farm bill in order to enable investment in crucial areas of U.S. agricultural, food, and rural policy. We believe that the sum provided to the Committee in that reserve account should be a specific figure and operate as additional funding clearly available to the Committee. In addition, we believe that the provision should be enforceable and fiscal responsible, so as to not increase the budget deficit. The existing deficit-neutral reserve fund in the FY08 budget resolution has proven difficult to utilize in the effort to enact a new farm bill, and unenforceable to secure additional resources to complete the farm bill in a timely fashion.

The expansion of farm-based renewable energy production has generated strong commodity price projections for the foreseeable future, and their levels will remain high for the foreseeable future. Understanding that prices are cyclical, we believe it is imperative that the Committee maintain a system of farm income protection for producers.

In the Senate-passed farm bill, a paucity of offsets available to cover increased mandatory spending in the second five years of the baseline forced the Committee to sunset a number of important provisions and otherwise constrain programs to reduce overall outlays throughout the bill.

Federal nutrition and food assistance programs are a critical component of the jurisdiction of our Committee. However, there are significant unmet needs in various federal food assistance programs. The Food Stamp Program, which served nearly 26.5 million individuals per month in fiscal year 2007, is in need of additional resources to address the deterioration in benefits in real dollars which has been occurring over the last few decades. Declining levels of bonus commodities have also significantly reduced the amount of commodities received by food banks and community food providers. Additional funding for The Emergency Food Assistance Program, would allow the Committee to mitigate this problem. And growing rates of obesity and diet-related chronic disease justify additional funds for the Fruit and Vegetable Snack Program. The Senate farm bill provides \$5.3 billion in new funding for these and other programs over fiscal years 2008-2012.

The Committee is committed to supplementing ethanol produced from corn and other grains by investing in research and other initiatives to enable commercialization of technology that would allow economical production of biofuels and other products from cellulosic materials such as crop residues, wood chips or dedicated energy crops including switch grass and rapidly-

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 The Honorable Judd Gregg
 February 22, 2008
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growing trees. Only by expediting this transition can we realize the objective of reducing our reliance on foreign petroleum imports. The agricultural and forestry sectors have the primary responsibility for providing the biomass feedstocks necessary to achieve the national goal of producing 36 billion gallons of renewable fuels by 2022. Biorefinery development in rural communities also offers an unprecedented opportunity for rural economic development. The Senate farm bill devotes about \$1 billion to the energy title between fiscal years 2008-2012 in support of these efforts.

The Senate farm bill included a substantial increase of \$4.7 billion in funding for agricultural conservation over fiscal years 2008-2012. This investment has become even more crucial in recent years, as the boom in demand for renewable fuels has resulted in more intense cultivation of farmland. As the production of grains and cellulosic feedstocks puts pressure on Conservation Reserve Program (CRP) acres, it will become more important to achieve increased levels of environmental and resource conservation on working lands.

In addition, we see need for additional investment in trade promotion and international food aid programs, both to assist U.S. farmers in competing for overseas markets and to address the expanding need for assistance in developing countries. Likewise, rural communities continue to lag behind the rest of the country in key economic and quality of life indicators. We believe that the mandatory sums provided for the programs in these areas are very important.

We also ask that the budget resolution provide adequate discretionary spending for the important programs in our Committee's jurisdiction that rely on annual appropriations, such as food safety, research, rural development, conservation operations, biomass research and development, renewable energy projects, and agricultural credit programs.

Thank you for this opportunity to provide data, views and recommendations regarding the FY09 budget resolution process.

Sincerely,



Tom Harkin
 Chairman



Saxby Chambliss
 Ranking Republican Member

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United States Senate

COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510-6050

February 26, 2008

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

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

Dear Kent and Judd:

In accordance with your request, we are forwarding our recommendations for the fiscal year 2009 budget resolution. The President's budget requests \$541.1 billion in budget authority for the national defense budget function for fiscal year 2009 in the so-called "base budget", and an additional \$70 billion (in so-called "bridge funding") for the FY2009 costs of operations in Iraq and Afghanistan, for a total request of \$611.1 billion. Of this total of \$611.1 billion requested for national defense, \$606.8 billion is for discretionary programs. We anticipate that meeting our national security requirements and providing for our men and women in uniform will require this combined total of \$611.1 billion for national defense budget authority, and the associated \$675.1 billion in outlays, and we recommend that you include these amounts (subject to any technical revisions by the Congressional Budget Office when their estimate is available) in the budget resolution for FY2009.

Because operations in Iraq and Afghanistan have been ongoing for many years, we believe funding for these operations should be built into the spending and deficit totals in the resolution and should not be designated as emergency spending. However, it is our intent, consistent with our past practice, to authorize such costs in a separate title of our defense authorization bill. We believe this approach provides the greatest accountability for the use of such funds and transparency of the cost of these operations.

We know you share our view that the McCain-Byrd amendment to the National Defense Authorization Act for Fiscal Year 2007 requiring the Administration to include a realistic estimate of the cost of operations in Iraq and Afghanistan in the budget request enhances congressional oversight of defense spending. We are disappointed that the Administration's FY2009 budget request did not include the likely cost of such operations for the entire fiscal year, as was the case in the FY2008 budget request.

Based on information we have received from the Department of Defense regarding the \$70 billion appropriated for these operations for FY2008 in the omnibus appropriations act (Public Law 110-161), it appears that the \$70 billion in so-called “bridge” funding requested in the FY2009 budget would only be enough to fund the likely cost of operations to June of 2009. We believe it is appropriate for you to build this \$70 billion into the functional totals of the budget resolution at this time. We have been assured by the leadership of the Department of Defense that the Administration intends to submit a more comprehensive, detailed estimate of the FY2009 cost of these operations later this spring.

However, we believe the time has come to treat the costs of operations in Iraq and Afghanistan separately. One of the overarching recommendations of the Afghanistan Study Group (ASG) was “a proposal for the Administration and the Congress to decouple Iraq and Afghanistan in the legislative process and in the management of these conflicts in the Executive Branch.” The ASG argues that Afghanistan and its long-term problems would be better addressed by “decoupling funding and related programs from those for Iraq.” They argue that doing so would “enable more coherence and focus on the increasingly important Afghanistan (and related Pakistan) issues, both for the Congress and the Executive Branch as well as in dealing with other governments and international organizations...” and that “Decoupling these two conflicts likely will improve the overall U.S. approach to fighting global terrorism. While the fates of these two countries are connected – and a failure in Iraq would influence Afghanistan and vice versa – tying together Afghanistan and Iraq also creates the false impression that they consist of the same mission, while in reality the challenges in these countries differ significantly from one another.”

Last year, your resolution created a separate budget function (970) for overseas deployments and other activities, in addition to the normal defense function 050, and included all funding for operations in Iraq and Afghanistan in that new function 970 as non-emergency spending. This year, in light of the recommendations of the ASG, we urge you to take the next step and include funding for operations in Afghanistan inside the normal function 050 costs, reserving function 970 for the cost of operations in Iraq.

We further recommend that the resolution provide a mechanism to allow the Budget Committee to further adjust the spending limits of the resolution at a later date as additional information becomes available from this, or the next, Administration. We believe the mechanisms put in place in section 207 of the FY2008 budget resolution to provide for discretionary cap adjustments for the appropriate costs of overseas deployments and related activities, and the language in section 204 providing for emergency expenses, should be retained in the FY2009 resolution.

With respect to the base budget, we are concerned about the Administration’s proposal to reduce the apparent cost of running the Defense Health Program in FY2009 by \$2.5 billion by drawing down the cash balances of the Department by transferring \$1.3 billion from the national defense stockpile transaction fund, and by further assuming \$1.2 billion in discretionary savings based on a proposal to impose higher premiums and co-payments on military retirees – a proposal that Congress rejected when it was requested in the FY2008 budget. We ask that your

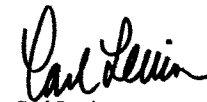
resolution reject this proposed transfer and that it not specify or assume any such fee increases for military personnel, retirees, or dependents.

As you know, the President proposed several new initiatives in his State of the Union address which were not included in his formal budget request. Most notably, the President proposed that service members be able to transfer their education benefits to family members. We are informed by the Congressional Budget Office that no such proposal, including the President's, has been scored in the past few years and that no reliable information is currently available on the exact cost of these proposals, although it is expected to be substantial. We request that you provide the Armed Services Committee with an appropriate level of additional resources and flexibility to address this issue when adequate information is available.

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

Sincerely,


John McCain
Ranking Member


Carl Levin
Chairman

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United States Senate

COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS
 WASHINGTON, DC 20510-6075

February 25, 2008

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

Dear Chairman Conrad and Ranking Member Gregg:

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

Securities Markets Oversight and Investor Protection

The Committee on Banking, Housing and Urban Affairs oversees the Securities and Exchange Commission (SEC) to ensure that it is fulfilling its role of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation. I am concerned about whether the President's Fiscal Year 2009 (FY 2009) budget request provides adequate financial resources for the SEC to perform these vital responsibilities.

The FY 2009 budget provides the SEC with funding of \$913 million. This allotment is only a \$7 million increase over FY 2008 – less than a one-percent increase. The FY 2009 budget request also increases the SEC Division of Enforcement's budget by less than one percent (\$3 million). These figures represent a funding decrease when adjusted for inflation. The FY 2009 budget provides for 3,473 full-time equivalent employees in FY 2009 – almost 100 less than in FY 2008. These decreases in inflation-adjusted funding and in full-time equivalent employees come at a time when the SEC is dealing with a subprime crisis in the financial markets and new agency responsibilities. This year, the Commission will ramp up the examination and regulation of the NRSROs, investigate conduct related to the subprime crisis, review recent late filings for stock options backdating, review corporate disclosures, oversee rules for new markets and engage in other important activities.

The Committee intends for the Commission to rigorously perform its responsibilities to address the issues raised by the subprime crisis as well as its ongoing duties. This situation suggests that a budget in line with last year may not be sufficient. In testimony before the Senate Banking Committee on February 14, 2008, SEC Chairman

Cox said, "Given the scope and complexity of the issues connected to the problems in the subprime securities market, the Commission's efforts in this area have involved nearly every major SEC division and office, and every area of emphasis -- including monitoring systemic risk, guarding against market abuses, and clarifying the application of accounting rules concerning the restructuring of mortgages." Chairman Cox went on to say that other issues related to the subprime crisis in the SEC's jurisdiction that will require particular attention include,

the accounting treatment of these trusts and their assets [special purpose trusts that qualify for off-balance sheet treatment]; the adequacy of capital and liquidity at the nation's major investment banks, and the strength of their risk management practices; the impact on money market funds from the devaluation of presumptively safe assets; the quality of issuer disclosure by public companies involved in structured finance; the role of the credit rating agencies, over which the SEC gained regulatory authority eight months ago; and the possibility of violations of the securities laws by subprime lenders, investment banks, broker-dealers, and other market participants.

All of the major divisions and offices at the SEC are working on an agency-wide Subprime Task Force to address these subprime issues. And, the SEC is working with international counterparts such as the International Organization of Securities Commissions and the Financial Stability Forum on the international aspect of the financial market turmoil. Finally, the SEC's Division of Enforcement currently has more than three dozen investigations underway related to the subprime crisis and has referred other misconduct to law enforcement.

The current financial crisis raises many problems that demand the SEC's response. Our capital markets are central to the health of our entire economy. The SEC is the primary regulator of our securities markets and it would be unwise to prolong this current crisis or risk another financial crisis if we were unwilling to fully fund the SEC to fulfill its mission.

Department of Housing and Urban Development (HUD)

The Committee is very concerned about the Administration's proposed budget for the Department of Housing and Urban Development. The proposed budget for HUD cuts core housing and community development programs, placing great strains on low-income families and their communities. The Committee strongly opposes these cuts, and urges the Budget Committee to restore funding for these programs.

The current crisis in the U.S. housing market is having ripple effects throughout our nation. Families are losing their homes—both homeowners and renters whose properties are being foreclosed upon. Those who can hold onto their homes have seen significant losses in equity, and many owe more on their mortgages than the value of their home. This crisis in the housing sector is causing a significant slowdown in our economy, and housing and community development programs will need to be

strengthened to ensure that families have access to safe, affordable housing and to ensure that communities can address the rising number of abandoned and foreclosed-upon homes.

Housing programs currently assist millions of families around the country, including many of our nation's most vulnerable, particularly the elderly, the disabled, and children. Without housing assistance, many families would lack the stability to find and retain employment, and many children would be unable to adequately perform in school because of multiple moves or health problems resulting from inadequate housing, including asthma, poor nutrition, and lead poisoning.

Further, study after study indicates that the need for housing assistance is acute. The Joint Center for Housing Studies of Harvard University found in their report, "The State of the Nation's Housing 2007," that in just one year, the number of severely cost-burdened households; those that pay more than half of their income towards rent, jumped by 1.2 million to a total of 17 million, or one in seven U.S. households. The significant gap between the wages of low-income earners and housing costs makes evident that housing assistance is necessary for many working Americans. Unfortunately, the proposed FY09 budget would cut many of the programs used to help these families find and retain stable housing.

Public Housing

Public Housing, which provides a home to millions of low-income Americans, is once again cut in the Administration's budget. Despite the large federal investment in public housing, and the estimated \$18 to \$20 billion backlog in needed capital repairs, the Administration proposes cutting the Capital Fund by \$415 million, or a 17 percent reduction. The Capital Fund has been cut by millions of dollars over the past few years, threatening the viability of this important housing stock. We urge the Committee to restore funding in the Capital Fund so that this housing stock can be maintained.

While the Administration has requested an increase of \$100 million in the Public Housing Operating Fund, HUD's budget justifications indicate that the amount requested, \$4.3 billion, will only cover 80 percent of housing agency operations. This puts at risk the ability of housing agencies to provide safe and decent housing to the 1.2 million families living in public housing, and we ask you to provide sufficient funding for housing agency operations.

Once again, the Administration seeks to eliminate the HOPE VI program, despite its record of successfully transforming blighted public housing into vibrant, mixed-income communities. While the program has been maintained by Congress, it has been funded at one-fifth its prior levels. We urge you to restore funding for this critical program.

Section 8 Housing Vouchers.

Section 8 housing voucher program is a public-private partnership that has successfully allowed millions of families to live where they choose in stable, safe housing. Unfortunately, the Administration's FY09 budget does not provide sufficient funding to renew all vouchers in use. Under the budget proposal, thousands of families currently receiving housing vouchers will lose their housing assistance. The Administration's budget relies on recapturing PHA reserves in order to fund voucher renewals. If Congress does agree to recapture all reserves, many agencies will be left with no cushion in case of cost overruns, utility increases, tenant rent contribution decreases or other unforeseen circumstances. Even with the recapture of reserves almost \$700 million in additional funding will be needed to renew all vouchers in use. If reserves are not recaptured, over \$1.3 billion in additional funds will be needed to ensure that no family loses their housing assistance. In addition, the allocation of voucher renewal funding has been altered by Congress each year. Last year, Congress reinstated a predictable and efficient funding formula, and it is critical that we retain this formula which provides funding based on recent cost and utilization data.

Project-Based Rental Assistance.

The Project-Based Rental Assistance program funds 1.3 million units of affordable housing. Unfortunately, there is a \$2 billion shortfall in this critical program. Due to the funding shortfall, HUD is requiring private owners to sign short-term, 3- or 4-month contracts for federal funding. The failure to provide sufficient funding for this program is raising questions among our private sector partners about the federal government's commitment to maintaining this important stock of affordable housing. Given the way these contracts are structured, and the level of funding requested by HUD for FY09, we believe the most prudent way to address this funding shortfall is to provide an advance appropriations, so that contracts can be funded on an annual basis. We believe an advance appropriations for FY2010 of \$2.8 billion would stabilize the project-based program and preserve thousands of affordable housing units which might otherwise be lost, and we urge you to include this in the FY09 budget.

Community Development Block Grants (CDBG) and HOME

HOME and CDBG are important, flexible programs through which communities are able to build housing for people across the income spectrum, provide rental assistance, rehabilitate housing and public facilities, and provide homeownership opportunities. Unfortunately, these programs were cut in FY2008, and the Administration's FY2009 budget proposes to cut an additional \$659 million from CDBG. These programs are critical resources for communities seeking to stem foreclosures and seeking to stabilize communities where foreclosures are clustered. Communities that have been stabilized over the last decade or so are now facing significant disinvestment as a result of the current foreclosure crisis, and HOME and CDBG should be increased to assist these communities so they do not fall further into distress.

While the Administration has requested increased funding for HOME, we urge you to consider providing additional funding specifically for housing counseling. Recent data on mortgage delinquencies from the Mortgage Bankers Association shows that more Americans are behind on their mortgages than ever before, and the Center for Responsible Lending estimates that 2.2 million Americans may lose their homes in the next few years. While we are looking at a range of solutions to this coming wave of foreclosures, it is clear that pre- and post-purchase counseling, as well as foreclosure counseling, are key elements of helping people remain in their homes.

We urge you to include increased resources in the FY2009 budget so that communities can continue to meet their urgent housing and community development needs, while addressing the current foreclosure and housing crisis.

Housing Counseling

Today, the United States is experiencing the most severe housing crisis since the Great Depression. In 2007, home prices fell nationally for the first time since the data have been recorded, and they are forecasted to fall again by 10 percent to fifteen percent this year. According to the Mortgage Bankers Association (MBA), both the rate of new foreclosure starts and the percentage of loans in foreclosure are also higher than at any time since data have been kept. In light of this severe and growing crisis, the Congress appropriated \$180 million for housing counseling in FY08. Unfortunately, the President's budget calls for only \$65 million. Housing counselors play a key role in reaching out to delinquent borrowers, and guiding them through the complex process of dealing with their loan servicer in the hope that they may be able to get a loan modification, thereby keeping their homes. The funds provided by the Congress for FY08 are helping to create the infrastructure necessary to handle the approximately 1.8 million homeowners facing trouble in the subprime market alone. However, this infrastructure, once created, must be maintained while the crisis is ongoing, which is likely to be for several more years. Therefore, we strongly urge the Committee to account for at least \$180 million for housing counseling in the FY09 budget.

Housing for the Elderly and Disabled

The FY2009 budget proposes once again to drastically cut funding for housing programs which serve our nation's most vulnerable citizens. The Section 202 program, which houses seniors, is cut by almost \$200 million (27% from FY2008). As the senior population grows, we must ensure that more seniors can remain in their homes or find suitable alternative living arrangements. The growing senior population presents a challenge to our nation, and we must ensure that today's budgets and policies do not undermine our ability to meet this challenge. At the very least, we must maintain our commitment to older Americans. In addition, the budget proposes to cut disabled housing by almost \$112 million, a cut of over 47 percent. People with disabilities have great difficulty in finding and paying for stable supportive housing. The national average rent is higher than the average SSI payment, so a disabled person receiving SSI benefits

is unable to afford housing without substantial supplemental income. We urge the Committee to restore funding for these critical programs.

Federal Housing Administration (FHA) Modernization

On September 19, 2007, the Committee considered and passed S. 2338, the "FHA Modernization Act of 2007," on a 20 to 1 vote. On December 14, 2007, the Senate took up and passed the bill by a vote of 93 to 1. The legislation was developed in close consultation with the Ranking Member and other Members of the Committee and the Administration. The Committee expects that an agreement with the House of Representatives on final legislation will be forthcoming in the first part of 2008. According to the Congressional Budget Office, the legislation would result in a net cost of \$22 million in 2008, offset by \$1.6 billion in collections over the 2008-2012 period, assuming the necessary appropriations laws are enacted.

The goal of the new legislation is to improve the fiscal soundness of the FHA fund, expand access to FHA mortgages, particularly for borrowers who have been steered to more expensive subprime loans and those who live in more expensive housing markets, and to make reforms to the program to improve the foreclosure prevention activities of FHA. FHA is becoming an increasingly important source of mortgage capital for new home buyers and existing home owners as many other parts of the market are experiencing a credit freeze.

Office of Federal Housing Enterprise Oversight (OFHEO)

We strongly support the Administration's request for funding for OFHEO, or its successor entity, which is responsible for the safety and soundness regulation of Fannie Mae and Freddie Mac. Currently, OFHEO is funded through the appropriations process, though at no cost to the federal government. We also support funding OFHEO directly through mandatory assessments on Fannie Mae and Freddie Mac.

Government-Sponsored Enterprises

The Committee hopes to consider legislation consolidating and strengthening the regulators for the government-sponsored enterprises (GSEs) Freddie Mac, Fannie Mae, and the Federal Home Loan Banks. There is broad agreement, given the serious accounting and management problems at these institutions, that the current regulators for the GSEs should be combined, should be given both mission and safety and soundness authority, and should have regulatory powers that are the equivalent to those of the other federal financial institution regulators. In addition, it is clear that the GSE regulator should not be subject to the annual appropriations process, but should be able to fund its operations with direct assessments on the GSEs, with oversight from the Congress.

The Committee expects that any GSE legislation will impose significant new affordable housing requirements on Freddie Mac and Fannie Mae. In general, this provision would require the two enterprises to set aside a certain portion of earnings, probably determined by the total volume of business done by each enterprise in a given year, into an Affordable Housing Fund. The fund would then be used to help finance affordable housing projects. The Federal Home Loan Banks would also be asked to contribute more to their affordable housing and community development mission. The affordable housing title of the potential GSE legislation has been a top priority of the Committee Democrats in the ongoing deliberations on this issue. Any affordable housing provision will be designed to be deficit neutral.

Community Development Financial Institutions

The Administration's FY2009 budget again proposes to drastically cut funding for the Community Development Financial Institutions Fund. The CDFI Fund was established to serve the nation's most economically distressed communities by providing capital, credit, and other financial services that are typically unavailable from mainstream financial institutions. The loans and investments made by CDFIs have leveraged billions of dollars from the private sector in development activities in financially underserved and low-wealth communities.

The President's budget provides \$29 million for the CDFI Fund in FY2009, a 69% cut to the 2008 Congressional appropriation of \$94 million. Additionally, the Administration proposes to eliminate the Bank Enterprise Award and Native American Initiatives program. Support for the CDFI industry through the CDFI Fund is particularly important this year, as our nation struggles with the ramifications of the subprime mortgage crisis. We urge the Budget Committee to restore funding to this important program and to reject the President's proposed elimination of the Bank Enterprise Award and Native American Initiatives program.

Flood Insurance

The National Flood Insurance Program (NFIP) provides critical insurance coverage to over 5.5 million American properties. Until Hurricane Katrina and the other storms of 2005, the program was largely self-sustaining, paying for most claims through the premium income generated in the program. The 2005 hurricanes resulted in over \$16.6 billion in claims to the program. In response, Congress increased FEMA's borrowing authority, and FEMA now owes almost \$20 billion to the U.S. Treasury. FEMA does not generate sufficient premium to pay the principal or the annual interest on this loan. The National Flood Insurance Reform and Modernization Act that passed unanimously out of the Banking Committee and will be considered by the full Senate this year forgives this debt so that the flood insurance program can continue to insure millions of families.

FEMA has not adequately updated flood maps around the nation, so families are unable to accurately assess their risks. In spite of aging and inaccurate flood maps, the

Administration's budget cuts flood map modernization funds by \$70 million, a 30 percent cut. The flood insurance reform bill significantly updates the map modernization program and authorizes \$400 million annually to ensure thorough and accurate flood mapping. This increase in funding for map modernization is critical to the flood insurance program and to millions of Americans who need to know if they are in harm's way. We urge you to increase funding for this important program.

Public Transportation

Through the transit program, the federal government supports states and localities in their efforts to develop multimodal transportation systems that meet the mobility needs of their citizens. In 2005, the Congress passed, and the President signed, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users (SAFETEA) to reauthorize the federal surface transportation programs, including the transit program. We strongly support the investment level provided by SAFETEA, which provided for growth in the transit program while maintaining the historical balance between highways and transit. Unfortunately, the President's FY2009 Budget does not fully fund the transit program in accordance with the legislation that he signed.

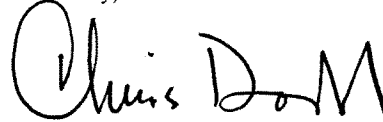
Robust investment in our nation's transit systems is critical to our ability to sustain America's economic growth, and is especially indispensable to our efforts to maintain and revitalize our metropolitan areas. Safe and efficient transit systems provide significant benefits both to transit riders and to others in the community, including employers, property owners, the environment and automobile drivers. According to the Texas Transportation Institute, in 2005 Americans in urban areas spent 4.2 billion hours stuck in traffic, with an estimated cost to the nation of \$78.2 billion in lost time and wasted fuel. TTI has estimated that without transit, the urban areas they studied would have suffered an additional 541 million hours of delay, which would have added more than \$10.2 billion to the national cost of congestion.

Transit ridership is at the highest level in 40 years, as more and more people use transit to get to work, school, medical facilities, and retail and recreational areas. Robust support for transit is essential in light of this increasing demand. We hope that you will help to meet these needs by including in the Budget Resolution transit funding consistent with SAFETEA, which passed the Congress with overwhelming support. Given the important role that transit plays in addressing our nation's mobility challenges, we also ask that you reject the Administration's proposal to raid the Mass Transit Account to address the problems facing the Highway Trust Fund.

In addition, we encourage you to help protect the safety and security of our nation's transit riders by fully funding the transit security grant program authorized by the Implementing Recommendations of the 9/11 Commission Act, which passed last year. The 9/11 legislation provides additional resources, distributed on the basis of risk, directly to public transit systems to better protect against terrorist attacks and to mitigate the damage from any attack. Worldwide, transit is a top target of terrorist activities; in recent years we have seen attacks on transit systems in London, Madrid, and Mumbai.

Despite this clear warning, our nation still is not properly prepared to face this threat, and a renewed commitment to invest in the security of our transit systems and their 14 million daily riders is crucial. The President's budget proposes to fund transit security at levels far below what was authorized in the legislation which the Congress passed and the President signed just last year. We ask that you consider funding transit security at the level authorized in the legislation.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris Dodd", written in a cursive style.

CHRISTOPHER J. DODD
Chairman
Committee on Banking, Housing
And Urban Affairs

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United States Senate

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February 25, 2008

The Honorable Kent Conrad
The Honorable Judd Gregg
Committee on the Budget
United States Senate
Washington, D.C. 20515

Dear Chairman Conrad and Ranking Member Gregg:

As required by the Congressional Budget Act, this letter reflects the Commerce, Science, and Transportation Committee's Views and Estimates for the fiscal year (FY) 2009 Budget Resolution. Our recommendations for programs with direct spending that are within our jurisdiction, and for which we may consider legislative changes, are as follows:

Aviation

In 2008, the Commerce Committee will continue to work on reauthorization legislation for the Federal Aviation Administration (FAA) and the taxes and fees that support the Airport and Airway Trust Fund (Trust Fund). The Commerce Committee also anticipates conducting oversight hearings on several potential issues, including the FAA's budget, aviation safety, and congestion and delay in the air transportation system. Reauthorization legislation remains a high priority for the Commerce Committee as the authorizations for the FAA and the Trust Fund's taxes and fees initially expired at the end of FY 2007 and have since been extended through a series of short-term extensions. In addition to reauthorization, modernizing the air transportation system is a priority for the Commerce Committee. Implementing the Next Generation Air Transportation System (NextGen) is vital for improving the safety and security of the system and to creating the capacity required to meet the projected growth in air travel over the next twenty years. Development and implementation of NextGen are estimated to cost the FAA approximately \$20 billion dollars in the coming two decades.

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As in FY 2008, the President's FY 2009 budget proposes sweeping changes to FAA's budget structure and resubmits its proposal to overhaul the Trust Fund's tax and fee structure. Overall, the Administration has proposed total spending of \$14.6 billion for the FAA in FY 2009, a cut of \$272 million compared to the amount enacted in FY 2008. The Committee will be reviewing the details of the FAA proposal to determine the best way to move forward on FAA reauthorization legislation and to ensure the air transportation system is modernized in a timely and efficient manner.

The Administration proposes substantial cuts in Airport Improvement Program (AIP) funding; it recommends \$2.75 billion, which is \$765 million less than enacted in FY 2008 and nearly \$1 billion less than the \$3.7 billion authorized by Vision 100 – Century of Aviation Reauthorization Act (P.L. 108-176) for FY 2007. This program provides funding for key infrastructure projects at larger commercial service aviation airports that address congestion and delay, and also serves as the primary source of infrastructure funding for smaller airports. The Committee recommends that AIP be funded at \$3.9 billion in FY 2009 with \$100 million dollar annual increases in the out years to continue the funding levels established in the last FAA Reauthorization bill. The Committee requests an allocation for contract authority to reauthorize the AIP program.

The Administration's proposal of \$2.724 billion for the Facilities and Equipment (F&E) program is \$210 million more than the level enacted in FY 2008, but approximately \$400 million less than the \$3.1 billion average authorization from FY 2004 through FY 2007 contained in P.L. 108-176. Given the FAA's escalating efforts to modernize the nation's air traffic control system, which is estimated to cost about \$1 billion annually over the next 20 years, the Committee recommends boosting F&E funding to no less than a total of \$2.923 billion in FY 2009.

The Administration proposes funding the Research, Engineering, and Development (R,E&D) account at \$171 million for FY 2009. This amount is an increase of \$24 million from the amount enacted in FY 2008; however, the funding is significantly lower than previously authorized levels in P.L. 108-176. The Committee recommends funding R,E&D at a level of no less than a total \$191 million for FY 2009.

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The Administration's proposed changes in the FAA's budget structure arise from the Administration's proposal to change the basis of the funding system in order to better align revenues with costs. Traditionally, FAA has had four accounts: Operations, which includes costs associated with FAA general administration, safety and oversight activities, and air traffic control (ATC); F&E, which funds ATC capital programs; R,E&D; and the AIP. Under the newly proposed structure the AIP and R,E&D accounts would remain the same. However, costs associated with FAA general administration, and safety and oversight activities (both currently in the Operation account) would be put into a new account called "Safety and Operations," while other Operations and F&E costs would be put into a new account called the "Air Traffic Organization." Neither the House's FAA Reauthorization Act of 2007 (H.R. 2881) nor the Commerce Committee's Aviation Investment and Modernization Act of 2007 (S. 1300) adopted the proposed budgetary structure changes or the comprehensive changes to the Trust Fund tax and fee structure.

Department of Transportation (DOT) – EAS and SCASD programs

The Administration's proposed Essential Air Service (EAS) budget for FY 2009 is \$50 million, which is \$60 million below the approximately \$110 million appropriated for FY 2008. Air service provides an important link between small communities and the rest of the world, playing a significant role in their economic development. Since deregulation of the airline industry, and particularly over the past several years of airline financial troubles, commercial airlines have increasingly limited their service to small communities. The ability of the EAS program to provide incentives for airlines to serve small communities also has eroded as EAS funding has stagnated or been cut. This program is essential to ensure the mobility of individuals who reside in remote areas of our nation, and the Committee recommends that EAS be funded at a level not below \$110 million in FY 2009.

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The Administration's proposal, consistent with its budget proposals over the past several years, eliminates funding for the Small Community Air Service Development (SCASD) program. In FY 2007 and FY 2008 the program was funded at \$10 million, although the authorized level provided in P.L. 108-176 for these years was \$35 million. SCASD provides air service development assistance to small and medium sized communities to improve their levels of air service. As with EAS, the point of the SCASD program to ensure the mobility of individuals in these communities, and to foster economic development. The Committee recommends that the SCASD program be funded at no less than \$10 million in FY 2008.

Transportation Security Administration (TSA)

Temporary Passenger Security Fee Surcharge – Currently, commercial aviation passengers pay a \$2.50 security fee per segment flown, limited to \$5 per one-way trip, placing an additional financial burden on commercial air travelers. For FY 2009 through FY 2012, the Administration is proposing to temporarily increase this surcharge by \$0.50 per segment for four years to make funding available for in-line explosives detection systems (EDS) at airports. Funding for in-line EDS systems was provided in the Implementing Recommendations of the 9/11 Commission Act of 2007 (P.L. 110-53 or the "9/11 Act"), and this approach contradicts some of the key elements of the delicately balanced funding approach adopted in that legislation. In addition, this proposal to increase fees on passengers is similar to other proposals that have been rejected by the Congress in the past. The Commerce Committee asks that the budget resolution reflect the intent of Congress in P.L. 110-53 and provide \$250 million annually for the installation of in-line EDS.

P.L. 110-53 included a number of provisions that direct the TSA to focus on components of aviation security identified as potential threat areas in the 9/11 Commission Report. The Committee recommends providing the necessary resources to meet the requirements of P.L. 110-53 and to ensure that air cargo security measures are in place to meet the mandate that 50 percent of air cargo is screened within 18 months and 100 percent of air cargo is screened within three years of the bill's enactment.

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Rail and Surface Transportation Security – The President's FY 2009 request includes \$37 million for the Transportation Security Administration's (TSA) surface transportation security initiatives, including security efforts related to railroads, trucks, pipelines, and hazardous materials transportation. Additionally, the proposed budget provides \$195 million for public transit and Amtrak, over-the-road bus, and truck security grants through the Department of Homeland Security's (DHS) Infrastructure Protection Program, while also proposing to eliminate funding for freight railroad security efforts through this program. The Committee believes these funding levels are insufficient given the security risks facing the nation's surface transportation infrastructure and operations. The Committee recommends that the TSA and companion Department of Transportation (DOT) surface transportation security efforts be funded at the enacted levels contained in P.L. 110-53. P.L. 110-53 authorizes to the DHS and the TSA \$483 million for Amtrak and freight railroad security, \$27 million for over-the-road bus security, and \$12 million for pipeline and hazardous materials transportation security efforts and grants. Additionally, the 9/11 Act authorizes \$40 million to the Secretary of Transportation for DOT rail and surface transportation security efforts in FY 2009.

Maritime Security – The SAFE Port Act established an authorization level of \$400 million for the Port Security Grant Program (PSGP) that was created within the Maritime Transportation Security Act of 2002 (MTSA). The PSGP was established to: (1) provide assistance to port facilities in implementing their facility and area security plans by upgrading security infrastructure; (2) provide compensation for U.S. Coast Guard mandated security personnel; and (3) deploy cargo security screening equipment. According to a U.S. Coast Guard notice on December 30, 2002, in the Federal Register, the total cost of implementing security in our seaports will reach \$7.2 billion over the next ten years. The President's FY 2009 budget recommends \$210 million for the PSGP. The Committee recommends funding the PSGP at the fully authorized amount of \$400 million for FY 2009.

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Amtrak

The President's budget proposes \$800 million in FY 2009 for Amtrak's operating and capital needs, or a reduction of 40 percent below the FY 2008 enacted level of \$1.325 billion. This funding level is entirely insufficient to operate Amtrak's current national route system and services and will not cover increased wage costs associated with new labor contracts expected to be ratified this spring. Without additional funding above the level of the President's request, Amtrak would likely enter bankruptcy and cease operating most services. Amtrak's own FY 2009 Federal funding request totals \$1.785 billion, representing a funding level roughly double the amount proposed by the President and 35 percent above the FY 2008 enacted level. Amtrak's request includes \$525 million for operations, \$801 million for capital programs, \$345 million for debt service payments, and a one-time payment of \$114 million for retroactive labor payments. The request for additional operating funds reflects projected wage increases stemming from the recent labor settlement totaling roughly 33 percent by the end of fiscal year.

The Committee recommends that Amtrak be funded at the levels contained in the Passenger Rail Investment and Improvement Act of 2007 (PRIIA), which passed the Senate on October 30, 2007 by a vote of 70-22, and now awaits consideration by the House of Representatives. These funding levels will allow Amtrak to address important capital projects that are essential to increasing ridership, revenue, and performance. PRIIA would authorize \$600 million in Amtrak operating grants, \$825 in Amtrak capital funds, and \$302 million for Amtrak debt and interest payments, equaling a total of \$1.72 billion, in FY 2009. The Committee also recommends that the budget include an additional \$39 million, above the levels contained in PRIIA, to cover the anticipated retroactive wage payments that will become due upon the ratification of employee labor agreements. The President's FY 2009 budget request also proposes increasing the Federal Railroad Administration's (FRA) state capital grants for intercity passenger rail investments to \$100 million, \$70 million above the FY 2008 enacted levels. The Committee recommends that this funding level be increased further to the proposed \$246 million level allocated for state intercity passenger rail grant program under PRIIA.

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National Oceanic and Atmospheric Administration

The President's FY 2009 budget proposal of \$4.1 billion for the National Oceanic and Atmospheric Administration (NOAA) represents the largest budget request ever submitted to Congress for this agency. While this signals a positive change in priorities for the Administration, the request continues to significantly underfund programs that are critical to understanding the role of the oceans, coasts, and atmosphere. Therefore, the Committee believes that additional funding is necessary for NOAA to adequately implement its existing ocean and coastal programs. Given the new mandates in federal legislation, recently identified gaps in funding for research and infrastructure, and the many neglected areas of work highlighted by the Ocean Commission, we recommend an increase of approximately 15 percent over FY 2008 enacted levels, or \$4.5 billion.

While the Committee supports the proposal for increased funding for satellites, other important programs and line offices are being short changed to offset that necessary increase. For example, the National Oceans Service, the National Marine Fisheries Service, and the Office of Oceanic and Atmospheric Research are all proposed to be funded at a reduced level from the FY 2008 enacted level. Yet to date, eight ocean and coastal related bills have been reported by the Committee, requiring increases in the programs administered by these offices.

For example, the Integrated Ocean Observing System is underfunded in the request by \$5.3 million. Ocean observing provides continuous, critical data to our scientists, managers, businesses, governments and the public to better enable effective decision-making and further support crucial research. This issue is of particular importance to the Committee, and S. 950, the Coastal and Observation System Act of 2007 was reported by the Committee on June 27, 2007, and awaits consideration by the Senate.

In addition to the bills that are currently pending, another Committee priority is the progress on the implementation of P.L. 109-479, the Magnuson-Stevens Reauthorization Act of 2006. Although we support the inclusion of \$45.4 million to implement many of the important mandates within the National Marine Fisheries Service, increased funding is critical to meet the additional requirements authorized by P.L. 109-479.

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Also of concern, and critical for conducting and performing fisheries survey and monitoring projects, is the funding for essential vessel infrastructure within NOAA. With an aging vessel fleet, which has an average age of 28 years, NOAA is experiencing increasing upgrade and maintenance costs. While the President's FY 2009 request includes additional funding in the amount of \$1.7 million for additional Marine Crew Safety and Crew Rotations, inadequate funds are directed towards vessel upgrade, maintenance, and acquisition costs.

The President's inclusion of \$49.1 million to implement the Administration's Ocean Action Plan, a plan aimed at ocean science and research, protection and restoration of marine and coastal areas, and sustainable utilization of marine resources, is encouraging. However, while the \$49.1 million includes first-time funding for several programs, the funding provided for these programs is significantly below the levels provided by Congress in past years. For example, the budget proposes first-time funding for the newly enacted Marine Debris Research, Prevention, and Reduction Act. Yet, the proposed level of \$4 million is significantly less than the \$12 million authorized in statute under the Marine Debris Research, Prevention, and Reduction Act (PL 109-449). In addition, the request for Coastal Zone Management has essentially been flat funded since FY 2005. This level of funding is nowhere near adequate to protect our coasts.

Finally, the Committee is concerned to see that, for the second consecutive year, insufficient funding was requested for NOAA's education programs. NOAA's education programs are vital both for improving our environmental literacy and stewardship capabilities and for educating the public about the value of our marine, coastal, and environmental resources.

U.S. Coast Guard

The President's FY 2009 budget request proposes \$9.3 billion in total funding for the Coast Guard, an increase of approximately \$300 million, or 3.3 percent above the FY 2008 enacted level of \$9.0 billion.

While overall the President's FY 2009 request for Operating Expenses presents an increase of \$400 million, the Coast Guard is required to offset many new programs and activities by having to force deficiencies and derive part of the savings by cutting important Coast Guard projects nationwide.

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For example, the allocation of \$20 million for an additional 276 Marine Inspectors is positive; meanwhile, other critical programs are subject to compensatory decreases in funding, such as the Aids to Navigation and Marine Environmental Protection programs. In addition, the President's request for the Coast Guard does not include any funding for the operation and maintenance of the aging polar icebreaker fleet and continues to rely on the National Science Foundation to reimburse the Coast Guard for the use of the icebreakers. The three Coast Guard icebreakers are the only such vessels owned by the United States and are crucial in carrying out multiple Coast Guard missions, including national defense.

The Acquisition, Construction, and Infrastructure (AC&I) request of \$1.2 billion is approximately a \$300 million or 25 percent increase over the FY 2008 enacted level of \$892 million. Within the AC&I accounts, funding is allocated for several large acquisition initiatives including \$354 million for the fourth National Security Cutter, \$86 million for two Marine Patrol Aircraft, and \$115 million for the production and project management of the Fast Response Cutters #2, #3, and #4. Additionally, the Coast Guard does provide funding for sustaining aging legacy assets and infrastructure; however, the Committee is concerned that additional funding is required to adequately keep pace with steadily increasing maintenance and upgrade costs until the legacy assets are ready for replacement.

The Committee believes that additional funding is needed in FY 2009 to ensure that the Coast Guard is fully capable of implementing its many security and non-security missions. Due to the growing need for a working fleet of icebreakers and adequate funding for security and non-security missions, the Committee recommends a funding level of \$10.2 billion for the Coast Guard for FY 2009; an increase of approximately 11 percent over the FY 2008 enacted level of \$9.0 billion. This increase would include the construction of one new polar icebreaker and the maintenance needed to bring the current polar icebreakers into operational status.

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The SAFE Port Act required the Coast Guard to establish Interagency Operation Command Centers (IOCCs), also known as the Coast Guard's Command 21 program, at all high priority ports within three years from the date of enactment. The IOCCs coordinate with federal, state, and local jurisdictions stationed at each port area to co-locate assets and resources to improve interagency cooperation and to share intelligence information in the maritime domain. Congress appropriated \$60 million in P.L. 109-347 to execute this critical maritime security mission. However, the President's budget for FY 2009 only requests \$1 million toward implementing this requirement. The Committee recommends funding the Command 21 program at \$60 million for FY 2009.

National Science Foundation (NSF) and National Institute of Standards and Technology (NIST)

Last year Congress passed and the President signed into law the America COMPETES Act (P.L. 110-69). This landmark legislation provides authorization for a number of agencies and programs critical to ensuring the nation's economic competitiveness. Specifically, for FY 2009 the America COMPETES Act authorizes the NSF for \$7.326 billion and \$881.8 million for the NIST.

The President's FY 2009 request for NSF is \$6.854 billion, over \$471 million short of the America COMPETES authorization. NSF directly supports the nation's basic science research endeavor and provides the fundamental knowledge that allows innovators to develop new products to propel the economic engine. Cuts to NSF's budget will be felt immediately by the university research community in the near term and by the nation as a whole in the long term.

The issue is even graver for NIST as the President has proposed only \$638 million, 28 percent below the authorization. The proposal fails to fund the Technology Innovation Program (TIP), a new program central in the America COMPETES Act that supports high-risk, high-reward research. Furthermore, the President once again proposes to shutdown the Hollings Manufacturing Extension Partnership (MEP), which provides technical and business assistance to smaller manufacturers through local centers in all 50 states. MEP helps small manufacturers become more competitive in order to keep jobs in this country.

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The President's FY 2009 budget request for these two agencies directly contradicts his commitment to strengthening the nation's innovation infrastructure when he signed the America COMPETES Act into law last year. The Committee recommends that the budget allocation for NSF and NIST be in line with what Congress supported last year in the passage of that significant legislation.

National Aeronautics and Space Administration (NASA)

The President's FY 2009 budget request is \$17.614 billion, a slight increase of 1.8 percent over the FY 2008 enacted level. The FY 2009 request falls well short of the trajectory that Congress established for the agency in its last authorization. The Committee recommends that the budget for NASA at least match the higher levels authorized in the NASA Authorization Act of 2005. Higher overall funding is important as the agency approaches the critical stages of design and development of the next generation human space flight vehicle. With the retirement of the Space Shuttle, the agency is tasked with developing a new vehicle to launch Americans into space and return to the moon on a meager budget that forces the agency to compromise other important aspects of its mission, specifically scientific research, aeronautics research, Earth science, and unmanned space exploration. Additional funding is especially important if we intend to keep the gap in U.S. access to space as small as possible.

National Highway Traffic Safety Administration (NHTSA)

The Administration proposes \$851 million for NHTSA in FY 2009. Approximately \$620 million will fund the Highway Safety Grants, \$228 million will fund operations and research (O&R), and \$4 million will fund the operation of the National Driver Registry. O&R provides the foundation for the work on vehicle safety and corporate average fuel economy (CAFE). The Administration increased O&R by \$3 million from the FY 2008 enacted level. While the increase will aid in executing the current rulemakings and the need to address the dependency on oil through CAFE, the Committee believes that NHTSA should have received a larger increase in this area. The NHTSA will now be tasked with implementing the first major overhaul to the CAFE program in 35 years, a costly and complicated directive.

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Consumer Product Safety Commission (CPSC)

The FY 2009 budget request proposes \$80 million for the CPSC, the same as the agency's FY 2008 enacted level. The proposed budget does little to empower the agency to perform its core missions. More than 33 million people are injured and 27,000 killed each year by products within the CPSC's jurisdiction. Yet, the agency operates with less than half of the 978 full time employees (FTEs) it retained in 1980. Since 1980, the nation has seen a dramatic increase in the number of imported consumer products, including toys, manufactured in China and elsewhere, which make up an increasing share of recalled products, reinforcing the need to have a CPSC which can vigorously enforce U.S. safety standards. At a minimum, the Committee recommends that the agency's budget should keep pace with inflation in order to maintain the expertise of the CPSC technical staff.

Federal Trade Commission (FTC)

The FY 2009 budget proposes to increase funding for the FTC to \$256.2 million, an increase of \$12 million above the FY 2008 enacted level of approximately \$244 million. The contribution from the General Fund is \$66.4 million with the remaining \$170.5 million in funding being contributed by fees from Hart-Scott-Rodino filings and \$19.3 million from Do Not Call Registry fees. The Committee supports this funding increase, as it will allow the FTC to maintain its consumer protection and market competition functions and hire 18 additional full time employees in FY 2009.

Pipeline Safety

The President's budget proposal for the Pipeline and Hazardous Materials Safety Administration's (PHMSA) pipeline safety program in FY 2009 is generally consistent with the authorized levels enacted last Congress, and supported by the Administration, in the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act). The Committee recommends that these funding levels be included in the budget.

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National Telecommunications and Information Administration (NTIA)

The FY 2009 budget request proposes \$19.2 million in discretionary budget authority for the NTIA. During FY 2009, the NTIA estimates obligating funds from the Digital Television Transition and Public Safety Fund (DTTPSF) to support several one-time programs, including the Digital-to-Analog Television (DTV) Converter Box Program. The Committee is concerned that the funds available for the DTV Converter Box Program and consumer education programs associated with the transition may be insufficient to meet the needs of consumers. Less than two months into this fourteen month program, the NTIA has received requests for more than 6.2 million coupons representing approximately 22 percent of the allocated base funds.

Corporation for Public Broadcasting (CPB)

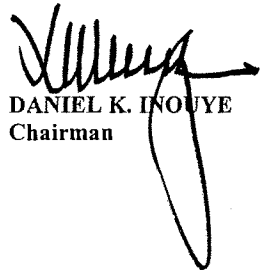
The FY 2009 budget proposes to eliminate the practice of advanced appropriation and to rescind \$200 million in appropriations for FY 2009 and \$220 million for FY 2010, which represents a 56 percent reduction in funding from CPB's FY 2008 level. The proposed budget further proposes that in FY 2009, up to \$40 million from the CPB's already enacted funding be used for digital conversion grants, which would undermine preparations for the digital transition and threaten consumer access to public safety alerts. The Committee recommends that the enacted funding levels for FY 2009 and 2010 be retained and that Congress continue the practice of advanced appropriation.

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Federal Communications Commission (FCC)

The FY 2009 budget request proposes \$339 million for the FCC, an increase of roughly \$26 million above the FY 2008 enacted level. Among the programmatic increases to its base, the FCC has requested \$20 million for DTV education outreach efforts. The Committee supports the funding increase for DTV educational outreach. The FY 2009 budget also includes several legislative proposals related to spectrum policy that are designed to raise revenue. The Committee has significant concerns regarding these proposals. The technical feasibility and policy implications of the fees and authority sought by the President should be closely examined as they may harm consumers and inhibit the expansion of nascent technologies.

Sincerely,



DANIEL K. INOUE
Chairman



TED STEVENS
Vice Chairman

JEFF BINGAMAN, New Mexico, Chairman
 DANIEL K. AKAKA, Hawaii
 BYRON L. DORGAN, North Dakota
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United States Senate

COMMITTEE ON
 ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

ENERGY.SENATE.GOV

February 26, 2008

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

Dear Chairman Conrad and Senator Gregg:

This letter responds to your request of February 5, and sets forth the views and estimates of the Committee on Energy and Natural Resources on the federal budget for fiscal year 2009.

The Department of Energy

The President is requesting \$25 billion for the Department of Energy in fiscal year 2009, which represents an increase of \$1.13 billion or 4.7 percent over the Department's current appropriation. The request reflects major increases for the Department's science, fossil energy, and nuclear energy programs in response to the Energy Policy Act of 2005, the America Competes Act, and the Energy Independence and Security Act of 2007. The Administration's request is intended to foster basic scientific research, accelerate the development of clean energy technologies, develop carbon capture and storage technologies, and promote the deployment of new nuclear power plants.

Most of our Members of our Committee are generally supportive of these increases. In particular, most of us strongly support the Administration's request for increased funding for the Department's science programs. These increases are needed to fulfill the goals of the American Competes Act, which Congress enacted last year to promote basic research in the physical sciences, encourage scientific discovery and technological innovation, and preserve our technological and economic competitiveness.

In addition, most of our Members are generally supportive of the increases in the Department's fossil energy budget that will support the development of clean coal technologies and carbon capture and storage technologies. Many of us, however, do not support the Administration's decision to terminate research on oil and natural gas, which would make coal the only fossil fuel studied by the Department. Moreover, many of us do not support the Administration's proposal to double the size of the Strategic Petroleum Reserve or to continue filling the Reserve with the Government's royalty oil at a time when oil supplies are strained and prices are at a record high.

Most of our Members support the Administration's goal of promoting the licensing of new nuclear power plants, and its Nuclear Power 2010 and Generation IV programs supporting that goal. There is, however, no longer a consensus among our Members on nuclear waste policy. Some of us continue to support the Department's longstanding and statutorily directed efforts to license the Yucca Mountain geologic waste repository, and the Administration's request for funds necessary for this purpose. Others, in light of the continuing difficulties in obtaining funding for the Yucca Mountain program, support new approaches to the storage and treatment of spent nuclear fuel, including the use of recycling technologies. Others, in turn, oppose spent nuclear fuel reprocessing and funding for the Administration's Global Nuclear Energy Partnership. Many of us, on both sides of the policy divide, believe that the fees paid into the Nuclear Waste Fund should be made available for the purpose for which they were collected.

Regrettably, the Administration has offset its proposed increases for science, fossil energy, and nuclear energy, in part, with deep cuts in the Department's energy efficiency and renewable energy programs. Although the Administration seeks increased funding for a few of these programs, including biofuels, wind power, geothermal energy, and vehicle technology, it cuts funding for hydrogen, solar, and water power, and industrial energy efficiency programs. Most Members of the Committee oppose many of these cuts.

Most troubling of all, the Administration is proposing to terminate the weatherization assistance program, which helps low-income families make their homes more energy efficient. This important program reduces energy consumption, lowers the heating and cooling bills of low-income families, and provides jobs and stimulates economic growth in low-income communities. In addition, studies shows that weatherizing homes is one of the most cost-effective steps that can be taken to reduce greenhouse gas emissions and climate change. Most of us believe that the funding for the Department's weatherization program needs to be substantially increased in order to weatherize many more homes, and strongly oppose the Administration's proposal to eliminate the program.

In addition, the Energy Independence and Security Act of 2007 authorizes several new programs that, if implemented, will improve energy efficiency across all economic sectors and provide incentives for technologies and practices that will mitigate climate change. Most of us believe these programs should be funded in fiscal year 2008.

The Department of the Interior

The President is requesting \$10.7 billion in discretionary appropriations for the Department of the Interior in fiscal year 2009, which is \$388.5 million or 3.5 percent less than the Department's current appropriation (excluding supplementals and permanent appropriations). The President's request is also \$7.5 billion less than the \$18.2 billion of mineral leasing and other receipts the Department expects to collect in fiscal year 2009. Many of us believe that the President's request is inadequate to address the many challenges facing the Department.

The Committee is generally supportive of several of the new initiatives proposed in the Department's budget. In particular, many of our Members support the Administration's National Parks Centennial Challenge to increase funding for the national parks, either through additional appropriations or mandatory spending if an appropriate budget offset can be found. In addition, we support the Water for America initiative to help communities secure reliable water supplies.

In addition, some of us agree with the Administration's conclusion that "royalty relief for oil and gas exploration is unwarranted in today's price environment," and support its proposal to repeal royalty relief for deep water leases and deep gas produced in shallow water on the Outer Continental Shelf.

The proposed budget also contains, on the other hand, several proposals with which many of our Members strongly disagree.

First, the Administration is again proposing to lease part of the Arctic National Wildlife Refuge for oil and gas production. The Senate has considered and failed to pass similar legislation in each of the last several Congresses. The Committee—like the Senate as a whole—remains deeply divided over this issue. We do not believe that this Congress is likely to enact legislation to open the ANWR to oil and gas development.

Second, the Administration has renewed its proposal to amend the Federal Land Transaction Facilitation Act to divert most of the revenues resulting from the sale of surplus public lands into the Treasury. Under current law, these revenues are placed into a special account, where they are available, without further appropriation, to purchase private inholdings within federally designated areas. Most Members of the Committee continue to oppose this proposal and support the current treatment of these funds.

Third, the Administration is proposing to make "net receipts sharing" permanent. Net receipts sharing deducts two percent of the States' share of mineral leasing receipts to defray the Department's administrative costs. Net receipts was authorized during fiscal year 2008 by the Consolidate Appropriations Act, 2008. Many of us strongly oppose the Department's proposal to deduct administrative costs, much less make the policy permanent.

Finally, many of us strongly oppose the Administration's proposals to reduce or eliminate funds for several programs of particular concern to us.

First, many of us oppose the Administration's proposed cut in the Land and Water Conservation Fund spending. The Fund was established over forty years ago to ensure adequate outdoor recreation opportunities for our expanding population. Under current law, a portion of the federal receipts collected from oil and gas leasing on the Outer Continental Shelf, up to \$900 million per year, are dedicated to the acquisition of outdoor recreation areas at both the federal and state levels. Last year, the Administration requested only \$59 million for the federal side of

the program, the smallest amount in the program's forty-two year history. This year, the Administration requests even less—only \$51 million—for the federal program, and nothing for the state program.

Second, many of us are concerned that the Administration has again failed to request adequate funds for the Payments in Lieu of Taxes program, which is crucial to the economic well-being of communities in our public land states. Under current law, the program is authorized to receive approximately \$370 million for payments to western counties and local governments. The Administration has proposed only \$195 million, a 15 percent reduction from the current year's enacted level of \$229 million.

Third, many of us are also deeply concerned by the Administration's proposed cuts in water programs that are vitally important to communities throughout the West. Although, as previously noted, the budget proposes a new \$21 million "Water for America" initiative to bolster some of the Nation's water science programs, the benefits of this modest initiative are far outweighed by the deep cuts the Administration proposes in the Bureau of Reclamation's budget, in rural water projects, in water reuse and recycling projects, in site security, and in water science and technology programs.

In addition, many of us are concerned by the Administration's proposal to halve the funding for the U.S. Geological Survey's Mineral Resources program. The proposed cut, if adopted, will delay the National Mineral Resources Assessment by several years, reduce the production of mineral commodity reports, eliminate research on environmental effects of mining, end grants to States under the external research program, and eliminate research on rare and scarce metals needed for emerging technologies.

Forest Service

The President is requesting \$4.1 billion in discretionary appropriations for the Forest Service in fiscal year 2009, which is 8 percent less than the Department's current appropriation. Of this amount, nearly \$2 billion or half the budget request is for fire programs. Overall funding for the Forest Service has declined over the past decade, while spending on fire programs has dramatically increased. As a result, when adjusted for inflation, non-fire programs have been reduced by 35 percent compared to fiscal year 2001. The Committee believes that more money is needed for both fire and non-fire programs, and that budget increases for fire programs should not come out of the budget for non-fire programs.

The Committee is also concerned that the Administration has, in recent years, underestimated the cost of fighting fires. It has done so because it has based its fire suppression budget on a rolling ten-year average of prior fire-fighting costs when fires are growing worse and becoming more expensive to fight. Some of us believe that the Forest Service should base its fire suppression budget on, at most, a five-year average, to more accurately reflect the program's cost. While this change will result in higher budget requests for fire suppression, we believe, as

we have already said, these increases should not reduce non-fire programs; both programs need to be increased.

In addition, the Committee is disappointed in the Administration's "county payments" proposal. The Secure Rural Schools Act has, in recent years, provided these payments to rural counties affected by declining timber harvests on federal lands. The Act expired in 2006 and the last payments were made in 2007. The Administration is proposing to extend those payments at reduced and declining levels in 2009, 2010, and 2011, after which they will cease. Most of our Members support continuation of these payments at a higher level.

Reserve Funds

The Committee expects to consider legislation during the second session of the 110th Congress to authorize the National Parks Centennial Challenge, the San Joaquin River restoration settlement, the Navajo Nation water rights settlement, and additional county payments under the Secure Rural Schools Act, to cover emergency wildfire management expenses, and to fully and permanently fund Payments in Lieu of Taxes. We respectfully request the opportunity to work with the Committee on the Budget to craft appropriate reserve funds for each of these items for inclusion in this year's budget resolution.

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

Sincerely,



Jeff Bingaman
Chairman



Pete V. Domenici
Ranking Member

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

February 26, 2008

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

Dear Chairman Conrad and Ranking Member Gregg:

In response to your letter of February 5, 2008, we present the following views and estimates for certain programs under the jurisdiction of the Committee on Environment and Public Works. As in previous years, a brief summary of the Committee's legislative initiatives is included.

The dollar levels represented in these views and estimates are the President's budget request for fiscal year (FY) 2009 compared with the funding levels for FY 2008 as specifically stated in the Consolidated Appropriations Act, 2008 (Public Law 110-161).

Legislative Initiatives:

The Committee on Environment and Public Works intends to develop and approve several legislative initiatives this year. With respect to the Committee's legislative agenda, the Committee anticipates floor consideration of the Committee-reported Lieberman-Warner Climate Security Act (S. 2191), which may include some direct spending, as well as Committee consideration of legislation reauthorizing and increasing authorization for the Clean Water and Safe Drinking Water State Revolving Funds, which is not anticipated to include direct spending. The Committee anticipates consideration of several other pieces of legislation during the year, but does not currently anticipate that this other legislation will include direct spending.

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1. Environmental Protection Agency

State Revolving Loan Funds and Other Water Cleanup Funding

The President's budget request for the Environmental Protection Agency (EPA) includes \$555 million for grants to States for capitalization of Clean Water State Revolving Loan Funds (CWSRFs), a reduction of \$134.1 million from the FY 2008 level of \$689.1 million. The request for Drinking Water State Revolving Loan Funds (DWSRFs) is \$842.2 million, an increase of \$13.1 million over the FY 2008 level.

The national need for investment in water and wastewater infrastructure through the CWSRF and the DWSRF continues to far outpace the amount of funding that is available from all levels of government. EPA's own estimate is that the capital investment shortfall for wastewater infrastructure ranges from \$73 billion to \$177 billion over 20 years, and that the shortfall for drinking water capital investment ranges to as high as \$267 billion over 20 years, if communities do not increase revenues above the rate of inflation.

EPA's recently released Clean Watersheds Needs Survey stated that the publicly owned treatment works needs for the nation as of January 1, 2004, are \$202.5 billion. Whatever estimate is used, there is no dispute that the need is great and this budget should do more to assist communities.

The Committee expects to consider legislation to reauthorize and significantly increase the authorization levels for the CWSRF and the DWSRF to assist States and local governments in meeting their investment needs. We urge that the budget resolution support spending levels of at least \$1.35 billion for the CWSRF and \$850 million for the DWSRF.

In addition, the President's budget request for FY 2009 makes a \$27.7 million cut to Geographic Programs, important efforts that protect crucial areas such as the Chesapeake Bay, Puget Sound, San Francisco Bay, Long Island Sound, and other environmentally vulnerable ecosystems. The Committee urges restoration of these cuts at least returning to FY 2008 enacted levels, plus inflation.

The President's request proposes to cut funding for the Clean Water Act's nonpoint source reduction program (Section 319) by \$16.3 million, or 8 percent, despite recognition by EPA that nonpoint sources of pollution are the single largest source of impairment to the nation's rivers, lakes and near-coastal waters. The Committee opposes this cut.

Cleaning up Superfund Toxic Waste Sites

The President's budget request for FY 2009 is \$1.264 Billion. This is a \$10 million increase from FY 2008 enacted, largely due to increases in funding for homeland security, facilities, and planning, but the budget includes several cuts in other important parts of the Superfund budget. The President's budget request proposes to reduce spending for Superfund remedial action toxic waste cleanups by about \$5 million compared to FY 2008. The President also proposes to reduce funding by more than \$4 million for the Inspector General to conduct

audits and evaluations of the Superfund program, a 38 percent cut. The budget proposes to reduce Superfund enforcement funding by about \$4 million, including \$1.3 million in funding for forensic support, which helps EPA recover cleanup costs from polluters at the nation's most heavily contaminated sites.

Over the last seven years, the Superfund program's pace of cleanups has declined by roughly 50 percent compared to the last seven years of the prior administration, from about 80 cleanups per year to about 40 – with EPA only cleaning up 24 sites in 2007, despite having estimated that it would clean up 40 sites. The Committee opposes the proposed cuts in funding for toxic waste cleanups, as well as the proposed cuts in funding for the Inspector General to investigate the management of the Superfund program. The Administration says that smaller and simpler sites have been completed and the remaining sites are larger and more complex, though some independent experts contest this argument.

The Committee opposes the President's suggested 35 percent cut in forensic support for Superfund enforcement work. Forensic support provides the EPA with the tools that it needs to make responsible polluters pay to clean up toxic waste sites that threaten public health and environmental quality. Forensics also helps EPA target its enforcement resources to best protect public health. It is imperative that the Superfund program makes polluters pay.

The nation has 1,245 Superfund sites listed on the National Priorities List, the most heavily contaminated toxic waste sites in the country. Human exposure is not under control at 90 Superfund sites, and EPA has insufficient information to determine whether human exposure is under control at more than 154 other sites. The Committee opposes the cuts to the Superfund program, and requests a \$250 million increase in the Superfund budget. The Committee also feels that there is a need for the agency to do a better job of effectively managing its resources and cutting waste. This funding is needed to support and to help restore the pace of long-term cleanups at toxic waste sites listed under the Superfund program.

Cleaning up Brownfields

In 2001, Congress enacted and the President signed into law the nation's brownfields cleanup program, authorizing \$200 million annually for site assessment and cleanup. The President's budget request proposes \$93.6 million for site assessment and remediation (under section 104 of the Brownfields law), about the same as current appropriations and still substantially less than the amount Congress intended for this important program.

Brownfields are areas where real or perceived contamination inhibits redevelopment efforts, and the federal brownfields program is one of EPA's most popular and successful programs. At the level of funding in the President's request, EPA will not be able to fund all eligible requests. Moreover, the budget proposes to cut funding for Smart Growth initiatives that promote environmentally sustainable economic revitalization efforts at brownfield sites. The Committee strongly supports full funding of the brownfields program at a \$200 million annual level and opposes efforts to reduce funding for Smart Growth initiatives.

Preventing and Cleaning Up Leaking Underground Storage Tanks

Leaking underground storage tanks (UST) are one of the nation's most serious threats to groundwater quality. The nation has roughly 640,000 USTs that store petroleum and hazardous substances that can contaminate the environment and harm human health. There is a national backlog of more than 108,000 cleanups needed at UST sites. The Government Accountability Office estimates that it would cost roughly \$12 billion in public funds to cleanup all leaking tanks, as of 2005.

The President estimates that the UST program will have more than \$3 billion in a trust fund designated to help cleanup these sites. However, the budget proposes to spend just \$95 million on cleanups, prevention, and enforcement (STAG grants to states plus LUST program funding), which is a \$13 million cut from FY 2008 – and is \$19 million less than EPA earned in interest on trust fund resources. The Committee strongly supports a substantial increase in funding, and opposes efforts to weaken mandatory UST inspection requirements.

Global Warming

The President's budget request includes other cuts in EPA programs that are of concern. For example, the President's budget request proposes to reduce funding for several global warming-related activities from the FY 2008 enacted levels, including a \$4 million cut in funding for the Energy Star program. The Committee's majority objects to cuts in the Science and Technology budget for the Climate Protection Program of \$6.9 million, and a \$3.4 million funding reduction in the program to develop and implement a Greenhouse Gas Registry, though the minority does not share this concern. The budget proposes \$5 million for the Asia-Pacific Partnership Program. This program supports the work of a regional partnership between the United States and several Asia-Pacific nations along with Department of Energy and State Department, and in coordination with our industrial base.

Selected Other EPA Program Cuts of Concern

In addition, the President proposes to merge the Children's and Other Sensitive Population Protections program with Environmental Education Program, and to zero out funding for the Environmental Education program, cutting the total funding for the new, combined office's activities from the FY 2008 level by more than \$8 million, a 58 percent reduction. While the budget would slightly increase funding for the Children's program (by \$165 thousand dollars), some have expressed a concern about how the new combined office will allocate its resources between children's health projects and environmental education efforts. Similarly, the President's budget request proposes to cut funding for the Environmental Justice program from the FY 2008 levels by \$2.6 million, a 40 percent cut. The President's budget request also proposes to cut \$3.6 million from EPA's efforts to protect public health and environmental quality from endocrine disrupting chemicals. The Committee opposes these cuts.

The Committee is also concerned that the proposed budget fails to adequately fund research that EPA needs to maintain current public health and environmental protections and to

address new threats. The budget proposes to cut \$8.2 million from research needed to protect Human Health and Ecosystems in our country and \$8 million from Water Ecosystems programs (including the National Estuary Program and Coastal Waterways Program), areas which provide crucial natural resources and services, and that embody our country's rich natural heritage. The budget would also cut \$2.1 million, a 9.7 percent reduction, from EPA's research that promotes sustainable development, including efforts to help develop new generations of technologies.

Air Quality

The President's budget request includes a total \$31 million cut for state and local air quality grants. This includes moving from section 103 grants to section 105 grants, which could harm local efforts to reduce air pollution.

The budget also proposes to shift \$17 million in funds for particulate monitoring from section 103 to section 105 of the Clean Air Act, which would require states to supply an additional 40% in matching. States are now facing increased responsibilities for development of new State Implementation Plans for Particulate Matter and Ozone. In a time of increasing state responsibilities, we would support total funding for these programs and restoring funding under section 103.

We would also oppose the \$9.8 million funding cut to the Diesel Emissions Reduction Grant Program. Diesel Engine retrofits are one of the most cost effective ways of obtaining reductions in air pollution and in reducing the risk of premature death from particulate matter.

2. Department of Transportation, Federal Highways Administration

The President's budget request for the Federal-aid Highway program contains a \$39.399 billion obligation limitation. This is \$1.8 billion less than the \$41.2 billion obligation limitation for FY 2009 that was included in the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy For Users (SAFETEA-LU). The funding levels included in SAFETEA-LU represent a hard-fought compromise reached between the Administration and Congress. The Committee does not support a divergence from the funding levels of SAFETEA-LU, and strongly supports full funding of the highway program at its authorized levels.

The Committee opposes the President's proposal to cancel \$3.150 billion in unobligated balances that were previously apportioned to the states, as well as the President's proposed cancellation of unobligated balances from projects included in the Intermodal Surface Transportation Efficiency Act and the Transportation Equity Act for the 21st Century. The Committee intends to appropriately address unobligated project balances in the next authorization bill.

The August 1, 2007 collapse of the I-35 west bridge in Minneapolis was a reminder that we cannot neglect our transportation infrastructure. Significant investment is needed just to maintain our current infrastructure, even more will be required to accommodate future growth in population and the economy.

Healthy investment in highway, transit and highway safety programs, including environmental improvements, will improve America's quality of life and will help meet the needs of our growing economy. Americans and business benefit every day from transportation investments through shortened travel times, increased productivity, and improved safety.

Furthermore, with the economy slowing, this is precisely the wrong time to cut highway investment. The Department of Transportation estimated that every billion dollars of transportation investment creates over 47,500 jobs. Cutting highway investment is clearly the wrong course of action. The Committee recommends that the budget resolution support the funding levels in SAFETEA-LU rather than the President's budget request for the Federal-aid Highway program.

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

The President's budget request for the civil works program of the Army Corps of Engineers is \$4.741 billion. This represents a decrease of \$851 million from the FY 2008 enacted level of \$5.592 billion. For years, the President has not requested and Congress has not provided the full amount that the Corps could effectively invest. The Committee believes that the amount the Corps could effectively invest in FY 2009 could be as much as \$2 billion above the President's request. The Committee opposes these reductions.

Inadequate funding for civil works projects creates inefficiencies in implementation and delays. Inefficiencies and delays in the budget request can increase the ultimate costs of completing projects by as much as one-third, placing further pressure on resources, and further delaying the achievement of benefits of the program.

The failure to adequately fund the civil works program denies or delays the economic and societal benefits associated with the civil works program. The nation's network of coastal ports and inland navigation systems is essential for the movement of raw and finished goods throughout the U.S. and overseas. The failure to adequately fund navigation construction and maintenance activities results in higher costs to the U.S. economy, and lessens U.S. economic competitiveness in the global economy.

The consequences of inadequate investment in flood protection and hurricane and storm damage protection measures were demonstrated with tragic clarity when Hurricanes Katrina and Rita hit the Gulf coast.

A lack of adequate funding postpones environmental restoration projects such as the Everglades restoration program. Many environmental restoration projects require significant land acquisition costs. Delay in implementing these projects allows for necessary lands to escalate in value, significantly increasing the costs of projects.

The Committee notes that while the budget request proposes to reduce spending from the Harbor Maintenance Trust Fund (HMTF) for operation and maintenance of navigation projects, the balance in the HMTF will increase to a surplus of \$5.407 billion. The President's request invests less than one-half of the estimated HMTF receipts and collections in FY 2009. The

failure to fully fund activities that are supported through the dedicated HMTF is inconsistent with the collection of the user fees that support the fund. The Committee opposes cuts in expenditures from the HMTF for operation and maintenance of navigation projects while the fund surplus continues to increase.

Finally, the budget proposes a change in how the Inland Waterways Trust Fund (IWTF) is funded. A specific legislative proposal has not yet been sent to Congress, but the framework included in the budget is to transition away from the current fuel tax to fees imposed on commercial barges using locks on the inland waterways system. This proposal is estimated to increase revenues into the IWTF, and therefore increase the level of investment possible. While the Committee supports increased investment in the inland waterways system, it would be inappropriate to assume enactment of a plan that Congress has not yet had time to carefully consider. The Committee supports funding for the inland waterways system at not less than the requested amount.

4. Economic Development Administration

The President's budget request includes \$132.8 million for the Economic Development Administration (EDA). Of that amount, \$100 million is for Economic Development Assistance Programs, including \$7.2 million for public works grants, \$40.3 million for economic adjustment grants, \$9.4 million for technical assistance grants, and \$14.1 million for trade adjustment assistance.

The President's request represents a cut of \$147.1 million (53 percent) from enacted FY 2008 levels. The Committee opposes the reductions in EDA's funding; in particular the drastic cut of \$139.2 million in funding for public works grants, virtually eliminating the program. EDA has a long and successful history of creating jobs and increasing the economic vitality of communities through public works and economic adjustment assistance. The President's proposed reduction will damage EDA's ability to achieve these goals. The Committee supports funding at not less than the enacted FY 2008 level of \$279.9 million.

5. Department of the Interior

The President's FY 2009 budget request for the Fish and Wildlife Service is \$1.301 billion in discretionary funding. This budget request represents a net decrease of \$64.6 million below the FY 2008 enacted level of \$1.366 billion.

The Committee is pleased to see that the budget request carries forward the additional \$35.9 million added by the Congress in the FY 2008 enacted budget for National Wildlife Refuge System to stave off the immediate elimination of hundreds of key Refuge System staff. However, even this amount is not enough to meet the staffing needs of the Refuge System's workforce over the coming years. Without an additional \$15 million a year increase to keep pace with fixed costs, the Refuge System will need to propose massive job cuts in its workforce.

Additionally, the Committee requests a \$30 million increase in the Refuge System budget. The Committee is very concerned about the severe cuts in funding for the Refuge System's construction and land acquisition programs. For construction, the budget request proposes only \$12.1 million, a reduction of \$20.1 million from the FY 2008 enacted level. For land acquisition, the FY 2009 request is only \$10.2 million for high-priority acquisition of land and conservation easements, a net decrease of \$24.2 million from the FY 08 enacted level.

The Committee opposes cuts in several other programs including the \$3.7 million cut in funding for the endangered species program (\$146.9 million proposed), the \$2.3 million cut in law enforcement funding (\$57.4 million proposed), and the decrease of \$3.6 million for the Multinational Species Fund—a 46% cut (\$4.3 million proposed.)

The Committee is pleased to see the \$5.69 million increase for the Partners for Fish and Wildlife Program. The Committee applauds the efforts of the Department to promote efficiency in the program. The Committee is also pleased to see that the budget proposal moves funding for Yellowstone grizzly bear conservation and gray wolf recovery out of the Partners for Fish and Wildlife Program and into the endangered species recovery program, which provides a more appropriate funding source for these activities. Since enactment of the Partners for Fish and Wildlife Act (P.L. 109-294, Oct. 3, 2006) the Committee is particularly concerned that future funding through the Partners Program be limited to projects that fall within specified program parameters, specifically that projects receiving Partners funding be conducted on private land and that efforts are made to ensure private contributions to leverage federal investments.

The Committee opposes shifting funding for Neotropical Migratory Bird Conservation to the Multinational Species Conservation Fund. These programs are, and should continue to be, run by separate offices within the U.S. Fish and Wildlife Service due to their distinct program characteristics and goals.

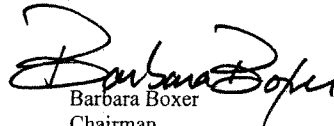
6. General Services Administration Public Buildings Service

The President's budget request for the Public Buildings Service of the General Services Administration (GSA) is \$8.378 billion in new obligation authority. Of the new authority requested, \$4.692 billion is allocated for rental of space; \$2.223 billion is allocated for building operations; \$692 million is allocated for repairs and alterations; \$149.6 million is allocated for installment acquisition payments; and \$620.1 million is allocated for construction and acquisition of facilities.

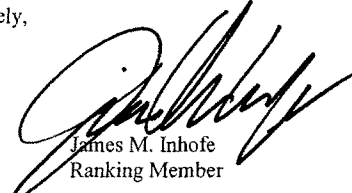
The President requests funding to build only one new courthouse. This request represents a continuing decline in funding the priorities established by the Judicial Conference. Whereas the Committee supports the President's budget for non-courthouse construction, it remains concerned that the budget request does not sufficiently address a growing back-log of scheduled courthouse projects on the Judicial Conference's five-year plan; many of which are ready to be constructed. The Committee recommends that the five year plan, as established and approved by the Judicial Conference, be taken into account for funding. The Judicial Conference estimates that approximately \$470 million in additional funding should be made available in FY 2009.

We appreciate the opportunity to comment on the programs within the jurisdiction of the Committee on Environment and Public Works. We look forward to working with you as you prepare the Concurrent Resolution on the Budget for FY 2009.

Sincerely,



Barbara Boxer
Chairman



James M. Inhofe
Ranking Member

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United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

February 26, 2008

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

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

Dear Kent and Judd:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, we are submitting our views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance for the Fiscal Year 2009 Senate Concurrent Resolution on the Budget.

Revenues

Alternative Minimum Tax ("AMT") Relief. Last year the Congress increased the AMT exemption level to \$66,250 for married couples, \$44,350 for individuals, and \$33,125 for married couples filing separately. On January 1, 2008, those exemption levels reverted back to the levels in effect before 2001. Those exemption levels are \$45,000 for married couples, \$33,750 for individuals, and \$22,500 for married couples filing separately. In addition, under current law, certain non-refundable income tax credits are subject to the AMT. If current law remains in effect, the Joint Committee on Taxation estimates approximately 23 million filers (mostly married couples with children) will be adversely affected by the AMT. The revenue loss for continuing the hold-harmless provisions for 2008 alone is approximately \$65 billion over 5 and 10 years. These provisions will require an extension for calendar years 2008 and 2009.

Expiring Tax Provisions. In December 2006, Congress passed a package of tax provisions that had expired at the end of 2005 and in 2006. This timing made tax administration for 2006 unnecessarily complicated and expensive. The provisions extended in 2006 expired at the end of 2007, and several other important extender provisions expire at the end of 2008. For seamless tax administration, an extension of expiring tax provisions should be enacted in a timely manner, and extended through calendar year 2009.

Maintaining Integrity in Our Tax System and Reducing the Tax Gap. The tax gap is the difference between the taxes that are legally owed and the taxes that are timely paid. The IRS estimates the 2001 tax gap figure to be \$345 billion annually. The Government Accountability Office has called the tax gap a “high risk” problem. The National Taxpayer Advocate has identified the tax gap as a “most serious” problem. The IRS Oversight Board has cited the tax gap as its “foremost concern”. The Finance Committee will continue to explore options and to develop legislation to enhance tax administration, improve tax compliance, and reduce the tax gap. The Committee also will exercise robust oversight and ongoing support of Treasury and the IRS to ensure implementation of the IRS report, “Reducing the Federal Tax Gap: A Report on Improving Voluntary Compliance.”

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

Airport and Airway and Highway Trust Funds. Authorization for expenditures from the Airport and Airway Trust Fund is scheduled to expire on June 30, 2008. Airport and Airway programs are funded with excise taxes that are deposited in the Airport and Airway Trust Fund. The Finance Committee has passed the American Infrastructure Investment and Improvement Act, legislation to reauthorize the Airport and Airway Trust Fund and to restore a projected 2009 Highway Trust Fund shortfall. In order to ensure needed investment in our transportation infrastructure, this legislation should be enacted in a timely manner.

Education. The No Child Left Behind Act is up for reauthorization this year. The Finance Committee may report an education tax title later this year. The tax title would likely include provisions to increase the affordability of post-secondary education and promote access to such educational opportunities. It may also include provisions to simplify specified tax incentives that are intended to help students and parents pay certain education expenses.

Health Tax Initiatives. The Finance Committee is committed to expanding health care coverage and controlling health care costs for all Americans, including small business. The Finance Committee will examine health care tax proposals and will pursue legislation that targets these goals.

Telecommunications Act Re-Write. Discussion has recently focused on a re-write of the Telecommunications Act and the Finance Committee may report a tax title for this bill. We anticipate that members may want to raise issues related to increasing access to high speed communications services to rural areas, easing the transition from analog to digital television, and addressing the taxation of services and products purchased over the Internet.

Retirement Security Reforms. The Finance Committee is committed to ensuring compliance with the Pension Protection Act of 2006, which became effective January 1, 2008. The Finance Committee is also committed to enhancing and expanding opportunities for retirement savings and protecting retirement security, and will continue to pursue legislation that targets these goals.

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

International Tax Evasion. The Committee continues to look for tax compliance gaps related to offshore transactions involving both inbound and outbound investments. In an increasingly complex global economy, this element of the “tax gap” deserves a greater focus.

Hedge Fund and Private Equity Tax Issues. The Committee continues to examine the tax issues involving hedge funds, private equity funds, and their managers. The growing importance of alternative investments in the U.S. economy increases the importance of examining tax compliance and policy issues related to their operations.

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

Reserve Funds

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

IRS Budget

The Administration has requested \$11.4 billion for the IRS’s FY 2009 budget. This amount is \$469 million greater than the FY 2008 enacted budget. The budget represents a \$28 million decrease in Pre-filing Taxpayer Assistance and Education, a \$337 million increase in enforcement, a \$176 million increase in operations support, and a \$44 million decrease in Business Systems Modernization (BSM).

We support a strong enforcement budget. However, we are concerned that the proposed increase in enforcement comes at the expense of decreases in taxpayer services and modernizing IRS information technology. Helping taxpayers understand their tax responsibilities up-front promotes higher rates of voluntary tax compliance, reducing the need for subsequent enforcement action. Critical IRS computer systems were built in the 1960s and must be upgraded to keep pace with an increasingly complex and global tax regime, as well as to facilitate more efficient analysis of tax return data and detection of scams and schemes.

Score-keeping of Payment Integrity Provisions

The President’s Budget includes a proposal to provide for an additional \$490 million of funds for IRS tax enforcement for FY 2009. The President’s Budget also suggests new score-keeping methods for this and other payment integrity proposals. One of the changes suggested by the President would score this \$490 million of additional expenditures as zeroes, on the grounds that these expenditures save far more than they cost. This would replace the current scoring treatment that utilizes discretionary spending cap adjustments. The Finance Committee agrees with the

suggestion to use this zero-cost scoring treatment for this \$490 million payment integrity proposal. We also recommend that the Budget Resolution allow for sufficient funds to support a balance of service, enforcement and technology that will maximize compliance by helping taxpayers understand their tax responsibilities, pursuing taxpayers who choose not to comply, and using technology to work efficiently.

Reconciliation Instructions to Raise the Statutory Limit on Public Debt

At this time, The Treasury Department's best estimate is that the ceiling on the debt subject to statutory limit will be reached during the first quarter of calendar year 2009. Therefore, the ceiling would be reached prior to the time that next year's Budget Resolution would be adopted. Therefore, we request that this year's Budget Resolution include reconciliation instructions to the Senate Finance Committee and the House Committee on Ways and Means to raise the debt ceiling.

Medicare

The Medicare Prescription Drug, Improvement, and Modernization Act (MMA) provided for the largest package of rural Medicare payment enhancements in the history of the program. The 10-year, \$25 billion commitment represented the most dramatic investment in rural health care any Congress has ever enacted. The Deficit Reduction Act (DRA) modestly continued this commitment, by enacting a number of provisions to help ensure the availability of health care services in rural areas, while reducing the net growth in Medicare spending by \$6.4 billion over the next five years. These provisions included extending 'hold-harmless' payments for rural hospital outpatient departments, restoring the five percent payment improvement for rural home health services for 2006, and re-establishing the Medicare-dependent hospital program.

The Tax Relief and Health Care Act of 2006 (TRHCA) and the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA) extended several expiring provisions including the 1.0 work GPCI floor, "Section 508" exceptions to the hospital area wage index (AWI), direct billing for certain pathology services, and cost-based payments for rural clinical labs. Despite these payment enhancements, however, aggregate rural hospital Medicare margins remain negative. The latest Medicare Payment Advisory Commission (MedPAC) shows that rural hospitals had an average Medicare margin of negative 3.0 percent in 2005. Additionally, major teaching hospitals had an average Medicare margin of positive 4.2 percent while non-teaching hospitals had an average Medicare margin of negative 6.9 percent. These significant disparities in Medicare margins require further examination, and changes may be needed to improve payment accuracy.

It is widely agreed that the Medicare inpatient hospital prospective payment system needs to be reformed to improve payment accuracy. In 2006 and 2007, CMS took significant steps to improve the accuracy of payment rates. While the Administration has the ability to take some steps towards refining the payment system, Congress may need to make legislative changes in order to make additional reforms to this payment system.

In Part B of Medicare, MMSEA provided a 0.5 percent update for the first half of 2008 for the Medicare physician fee schedule, replacing the scheduled 10.1 percent reduction in payments. However, without either legislation or significant action by the Administration, significant

reductions in the conversion factor for the Medicare physician fee schedule will take effect in the second half of 2008 and beyond. Modifying the current payment formula to mollify these projected cuts will have a substantial budget impact. Per the DRA, MedPAC submitted a report to Congress on alternatives to the SGR on March 1, 2007. While this report contained some new approaches to consider for improving physician incentives to promote higher quality care, the Finance Committee continues to work to develop viable long-term solutions to the challenge created by the SGR.

Another area of continued concern is the Part B therapy cap. Congress enacted an exceptions process for beneficiaries who require additional therapy services after they have reached the service limit under the cap. This policy, which was established for one year in the DRA and extended by TRHCA and MMSEA, will expire on June 30, 2008. Without congressional action, the exceptions process for the Medicare therapy cap will not continue beyond that date, and beneficiaries may be denied coverage for medically necessary therapy services. Addressing this issue will also have a budgetary impact.

In order to help Congress monitor these developments and others – and to assist in devising their solutions – we will be working to ensure that the Medicare Payment Advisory Commission is appropriated the funding necessary for the proper fulfillment of its critically important role in this process. MedPAC's efforts are vital to our oversight of the program.

It is also important that the Centers for Medicare & Medicaid Services (CMS) and the Social Security Administration (SSA) receive adequate funding in FY 2009. The Medicare Prescription Drug Benefit has added new responsibilities for both CMS, which administers the benefit, and the SSA, which has several responsibilities related to the benefit's low-income subsidy provisions. These Agencies must have the resources necessary to implement and manage the Medicare Part D drug benefit. CMS also must have sufficient funds to advance efforts to promote health care quality – such as instituting systems to pay for performance – and other important improvements to the Medicare program that were enacted in the MMA, the DRA, TRHCA, and MMSEA.

Promoting Quality

Beginning in 2005, and for the first time in the history of the program, Congress established a link between quality of services provided to beneficiaries and payment for those services. Under the inpatient payment system, hospitals became eligible for higher Medicare payments if they submit data on ten measures of quality care. The DRA built upon this initiative, expanding the set of quality data that hospitals would be required to report and initiating a similar “pay-for-reporting” system for home health agencies. Also, hospitals will no longer receive a higher Medicare payment rate if a patient acquired certain preventable infections during their hospital stay. The TRHCA took additional steps to lay the foundation for pay-for-performance by establishing a pay-for-reporting program for physicians and, in later years, for hospital outpatient departments and ambulatory surgical centers. Also, this legislation requires the HHS Office of Inspector General to conduct a study on Medicare payments for “never events,” which are serious and preventable events in health care. MMSEA extended the physician quality reporting initiative and required CMS to make necessary improvements to the program. These are small but substantial steps forward in linking Medicare payment to quality care.

With the exception of these recent programs, Medicare payment systems have, at best, a neutral impact and, at worst, a harmful one on quality. For physician services, Medicare payment continues to be based primarily on the volume and not the value of the services delivered. Medicare must enhance its efforts to link payment to quality care by developing clinically sound quality initiatives for other Medicare providers as well. When both quality measures and reporting processes have been established, we will move past these preliminary “pay-for-reporting” programs to “pay-for-performance” across all of Medicare. We believe strongly that Medicare should incentivize the delivery of high-quality care to beneficiaries.

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

Nationally adopted IT standards, incentives, and targeted assistance are needed to ensure that the promise of health information technology is achieved. Despite the possibility of long-term savings, many providers – such as those in rural areas – are unable to make the initial investment necessary to install a health information technology system and to train staff. The Administration’s budget proposes important funding for HIT initiatives in FY 2009. Certain providers, especially those in rural and frontier communities serving Medicare and Medicaid beneficiaries, may need additional financial assistance if a truly national health information network is to be achieved. We must do more to ensure that rural providers are not left behind.

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

Prescription Drug Benefit

The Medicare prescription drug benefit has brought prescription drug coverage to millions of beneficiaries. According to data from CMS, over 50 percent of Medicare beneficiaries now receive drug coverage or subsidies for drug coverage through the Medicare program. Over 90 percent of Medicare beneficiaries now have some form of coverage to help purchase needed medicines. Providing additional financial assistance to beneficiaries with low incomes was another cornerstone of the Medicare law. We recognize that CMS, the Social Security Administration (SSA), and advocacy groups have worked diligently to inform beneficiaries about, and assist them in applying for, the additional financial assistance. Despite their work, it is estimated that three-fourths of beneficiaries who remain without prescription drug coverage

would likely qualify for the extra help. For this reason, the Finance Committee will look for opportunities to invest more in outreach programs that will help identify beneficiaries and provide them with information and assistance with the Part D low-income subsidy (LIS). As a step in this direction, last year, the Medicare, Medicaid, and SCHIP Extension Act of 2007 (MMSEA) added \$20 million for grants to State Health Insurance Assistance Programs, Area Agencies on Aging, and Aging Disability and Resource Centers. One of the intended goals of the new funds is to provide resources to expand local outreach and education for the LIS program.

We will consider investing more in these programs in order to broaden outreach and participation in the LIS program.

We must also consider the impact of the new drug benefit on pharmacists. In addition, the Finance Committee will likely consider legislation to provide CMS the authority and resources to make available to the public, with appropriate safeguards for privacy, medical claims data from Medicare Parts A and B linked with pharmacy encounter data from the new prescription drug benefit. Such data will be a valuable resource for measuring the quality of care in the Medicare program, and it will enable research on drug safety and patterns of use in older adults and vulnerable populations.

Programs for Low-Income Beneficiaries

As a complement to efforts in Part D, the Finance Committee will be reviewing the current range of low-income subsidy programs available to Medicare beneficiaries to reduce barriers to participation and to make information required to determine eligibility more easily understood. The Finance Committee plans to examine what changes to the asset limits would increase participation among people who meet the income thresholds.

Medicare Advantage

The MMA made significant changes to the part of the Medicare program that allows beneficiaries to enroll in private health insurance plans for their medical and drug benefits—the Medicare Advantage program. Among the changes were increases in payment rates and the implementation of bidding in place of administered prices. Since the MMA, the number of plans and the level of enrollment in Medicare Advantage have grown dramatically, especially among the private fee-for-service options and special needs plans. The MMSEA of 2007 imposed a moratorium on new special needs plans through 2009, in lieu of extending the program without modifications that are still being contemplated by the Committee. Over the last year, the Committee held two hearings to examine the evolution of Medicare Advantage plans since the MMA’s passage. In addition, the committee held two hearings to investigate the many reports made about unscrupulous and abusive tactics used by agents and brokers selling Medicare Advantage plans and the need for more accountability and oversight of sales and marketing practices in Medicare Advantage. It has become evident that some changes are warranted. Therefore, the Finance Committee plans to consider legislation that would make careful changes to the structure of private fee-for-service and special need plans and to the marketing rules that apply to plans participating in Medicare Advantage as well as Part D.

Medicaid and State Children's Health Insurance Program

The Medicaid and State Children's Health Insurance Program (SCHIP) programs play an increasingly important role in the U.S. health care system. According to data available from the Centers for Medicare and Medicaid Services, the number of children "ever enrolled" in public health coverage programs in 2006 was 29.5 million in Medicaid and 6.6 million children in SCHIP, for a combined total of 36.1 million children. SCHIP is the largest and most successful expansion of public health insurance for children apart from Medicaid. The number of children served by SCHIP has increased 44% between 2001 and 2006.

Last year, the Finance Committee attempted to reauthorize the SCHIP program. Unfortunately, that effort was not successful. Therefore, an extension of the program through March 31, 2009 was included in the Medicare, Medicaid, and SCHIP Extension Act of 2007. Additional funding necessary to address the projected SCHIP shortfalls during the period of the extension was included.

In addition, we hope to expand coverage to uninsured children to ensure that more children now eligible for Medicaid and SCHIP are enrolled in the program and to improve the quality of children's health through reauthorization. We will work to ensure that policies align to support expansions where possible, so more children have access to health care coverage. To these ends, we hope that there would be sufficient flexibility in the budget to accommodate the need to address state SCHIP shortfalls, expand coverage to uninsured eligible children, and improve the care that children receive.

Medicaid in particular provides a safety net of coverage for vulnerable low-income populations for whom no private coverage options exist. The program serves as an important source of coverage for disabled and elderly individuals, pregnant women, parents and children. In determining priorities, we should also be mindful of Medicaid's neediest populations. Whether beneficiaries live in rural areas or cities, Congress must ensure that they are treated equally, that policy changes do not deter necessary care for beneficiaries, that disabled and elderly individuals receive an appropriate level of care, and that Medicaid's guarantee of coverage is preserved.

Recent administrative actions on Medicaid have highlighted the need for Congress to turn its attention to the program and how it is operating. We hope to work in a bipartisan way to address issues surrounding the services Medicaid provides and the appropriate federal funding levels for those services. To that end, we hope that there would be sufficient flexibility in the budget to accommodate the need to address Medicaid policies that can protect the health care safety net for our most vulnerable populations.

Indian Health

The full Senate is in the process of considering the Medicare, Medicaid, and SCHIP Indian Health Care Improvement Act as part of the reauthorization of the Indian Health Care Improvement Act this year. This bill provides invaluable health care for the American Indian and Alaska Native populations.

TMA/Abstinence Education

Transitional Medical Assistance (TMA), which helps families transition from welfare to work, expires on June 30, 2008. We support an extension, and urge the Budget Committee to provide sufficient funding to continue this key work support program along with a comparable extension of Abstinence Education funding.

Temporary Assistance for Needy Families (TANF) and Child Support Enforcement

The Deficit Reduction Act (DRA) made several changes to the Temporary Assistance for Needy Families (TANF) and Child Support Enforcement programs. States have begun implementing these changes. We believe that wholesale changes to these programs would impede states' abilities to successfully implement the program and serve constituents of these programs effectively. However, there are improvements that can still be made to both programs to support and assist families to make the transition from welfare to work. We request that there be enough flexibility in the FY 09 budget to accommodate a bipartisan agreement to enhance state flexibility, promote work and strengthen families.

Child Welfare

Since the passage of the 1997 Adoption and Safe Families Act, more than 443,000 children from the child welfare system have been adopted into safe, permanent homes, and we should continue investments to promote adoption and post-adoption support. Still, 512,000 vulnerable children remain in foster care needing care and support. Child welfare financing is out-dated and needs to be improved. No state has successfully complied with the Child and Family Service Reviews (CFSRs). States need to work to prevent repeated abuses and neglect of children, strengthen upfront and prevention services for fragile families. In addition, methamphetamine abuse and addiction continues to put a strain on the Child Welfare system. There is also an ever increasing need for appropriate and effective child welfare services in Indian country. However, there are several innovative programs across the country that seek to better engage relative caregivers in the lives of children needing loving safe homes. We wish to explore legislative opportunities for updating child welfare financing, helping states improve their performance relative to the CFSRs, strengthening support for treatment options for families struggling with substance abuse and addiction and assisting more children to find safe and loving placements with willing relatives when appropriate. We request appropriate funding in this budget to assist states make needed improvement in the Child Welfare system.

Social Services Block Grant

We strongly oppose the Administration's proposal to cut the Social Services Block Grant (SSBG) especially given the increasing strain on state budgets. There is a long history of bipartisan support to increase SSBG back to its historic high of \$2.8 billion. The SSBG provides states with the resources and the flexibility to address the needs of our most vulnerable populations: the elderly, children and the disabled. SSBG is often the sole federal source for funding for adult protective services. SSBG also helps states fund important child welfare programs. The DRA made a number of changes relevant to child welfare programs. Additionally, changes made to

the Temporary Assistance for Needy Families (TANF) program continue to have implications for child welfare programs.

Health Care Fraud and Abuse Control

The President's Budget includes a proposal to provide additional funds for reducing improper payments in the Health Care Fraud and Abuse Control Program of the Medicare program. The President's Budget also suggests new score-keeping methods for this and other program integrity proposals. One of the changes suggested by the President would score these additional expenditures as zeroes, on the grounds that these expenditures save far more than they cost. This would replace the current scoring treatment that utilizes discretionary spending cap adjustments. The Finance Committee agrees with the suggestion to use this zero-cost scoring treatment for this program integrity proposal for the Health Care Fraud and Abuse Control Program.

Trade

The Finance Committee will address the expiration of key trade legislation this year. The Committee may consider legislation to reform and expand Trade Adjustment Assistance programs, which expired on January 1st. The Committee may also consider the Andean Trade Preferences Act, which expires March 1, 2008; the Caribbean Basin Trade Preferences Act, which expires October 1, 2008; and legislation addressing the Generalized System of Preferences program, which expires January 1, 2009. The Committee may also consider legislation to grant the President Trade Promotion Authority, which expired July 1, 2007.

The Finance Committee may consider legislation to implement the U.S.-Colombia Trade Promotion Agreement and bilateral trade agreements with Panama and the Republic of Korea. The Committee may also consider legislation to implement a possible multilateral trade agreement in the World Trade Organization, should one be concluded. The Committee may also consider legislation to address exchange rate misalignments; legislation to enhance the enforcement of U.S. rights under trade agreements and U.S. trade laws; legislation to enhance the enforcement of intellectual property rights abroad; legislation to authorize permanent normal trade relations with Azerbaijan, Kazakhstan, Moldova, and/or Russia; legislation to continue trade sanctions against Burma; legislation to impose additional sanctions against Iran; and legislation to address the trade implications of a carbon cap and trade system. The Committee may also consider legislation to reauthorize the customs commercial functions of the Bureau of Customs and Border Protection and the Bureau of Immigration and Customs Enforcement at the Department of Homeland Security; legislation to reauthorize the Office of United States Trade Representative and U.S. International Trade Commission; and legislation to suspend tariffs on miscellaneous imports. The Committee may also review legislation addressing U.S. laws that are found to be inconsistent with our World Trade Organization obligations and legislation addressing trade and travel restrictions with Cuba.

The Finance Committee will conduct oversight over a number of key trade issues, including enforcement of U.S. rights under trade agreements, the application of U.S. trade remedy laws, and global intellectual property rights. The Committee will also conduct oversight over pending international trade negotiations, including: (1) discussions aimed at concluding new agreements

in the World Trade Organization; (2) bilateral negotiations to conclude a trade agreement with Malaysia; (3) plurilateral negotiations to conclude an investment and financial services agreement with Singapore, Chile, Brunei, and New Zealand; (4) negotiations to conclude a plurilateral Anti-Counterfeiting Trade Agreement; (5) discussions under the U.S.-China Strategic Economic Dialogue and the Joint Commission on Commerce and Trade; (6) and other ongoing international negotiations that have been initiated.

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

In the course of realizing its international trade priorities, the Finance Committee anticipates additional costs incurred by program expansion and extension as well as revenue losses through tariff reductions. To this end, we request that the Budget Committee include a budget neutral reserve fund for international trade priorities over a ten year period, with which the Committee could pay for Trade Adjustment Assistance; bilateral trade agreements with Colombia, Panama, and the Republic of Korea; extension of trade preference programs; reauthorization of Customs and Border Protection trade functions; as well as other trade items enumerated in this Views and Estimates letter.

Social Security

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

Currently, many applicants to the Social Security Disability Insurance (SSDI) program and the disability portion of the Supplemental Security Income (SSI) program face significant delays in getting their benefits. Indeed, waiting times can exceed three years in some cases. Such delays create serious or desperate financial situations for the applicants and their families. According to the Social Security Administration (SSA), about half of these waiting times result from huge backlogs of hearings before Administrative Law Judges and of initial claims.

In recent years, inadequate funding has been enacted for SSA's administrative costs. For the current fiscal year, Congress was able to provide enough money to keep the backlogs from getting worse. And for the upcoming fiscal year -- FY 2009 -- the President's recommendation for SSA's funding would begin the process of reducing the backlogs. But under SSA's long-term plans, it would still take five years to eliminate the backlogs altogether. Moreover, in order to get the hearings and initial claims backlogs down in FY 2009, the President's Budget proposes to defer work on other important workloads, such as initiating repayments of amounts that beneficiaries have been overpaid. Indeed, for these other workloads the Budget falls \$140 million short of what is needed even to operate at the same deficient processing rates as last year. Furthermore, the President's Budget does nothing to improve other inadequate levels of service to the public in SSA's field offices, such as the inability to get through to the office on the telephone and the long waiting times for walk-in customers.

Clearly, the funding level recommended by the President's Budget for FY 2009 -- although better than last year's recommendation -- is still inadequate. The Finance Committee urges that the funding level for SSA's administrative costs assumed in the Budget Resolution -- including funding for Continuing Disability Reviews (CDRs) and SSI redeterminations -- be at a level that is greater than the level proposed by the President. Fortunately, this can be accomplished without increasing the long-term deficit, through either of two new suggestions in the President's Budget for the scoring of two program integrity activities: CDRs and SSI redeterminations. CDRs detect payments in SSA's disability programs to beneficiaries who are no longer disabled. These reviews save \$10 for each dollar spent, according to the President's Budget. SSI redeterminations review the eligibility of Supplemental Security Income (SSI) beneficiaries each year. Seven dollars is saved for every one dollar spent on these redeterminations.

One of the scoring changes suggested by the President is to score \$240 million of additional expenditures for CDRs and SSI redeterminations as zero, on the grounds that these expenditures save far more than they cost. This would replace the current scoring treatment that utilizes discretionary spending cap adjustments. The Finance Committee agrees with the suggestion to use this zero-cost scoring treatment for this \$240 million program integrity initiative. The Committee also recommends that the Budget Resolution assume that the \$240 million freed up under the non-security discretionary cap by this new scoring procedure continue to be available to SSA in FY 2009. These funds could then be used to make needed improvements to the disability application process and to other services to the public, as described above.

The President's Budget for FY 2009 proposes to allow refugees and asylees to receive SSI for 8 years after entry into the country. Currently, refugees and asylees who have not become citizens can only receive SSI for 7 years after entry. The President's proposal recognizes that some individuals have been unable to obtain citizenship within the 7-year time limit, through no fault of their own. The Committee supports this proposal and urges the Budget Committee to accommodate this Presidential priority in the Budget Resolution.

Social Security taxes and benefits are given special status in that they are considered "off-budget." The cost of administering the program, however, remains within the overall cap on discretionary spending in the rest of the budget. We recommend that the Budget Committee take

legislative steps to make the budgetary treatment of Social Security taxes, benefits, and administrative costs consistent.

Black Lung Trust Fund

The President's budget includes a proposal to refinance the Black Lung Disability Trust Fund. The Black Lung program provides benefits to certain disabled workers, and their families or survivors. These benefits are funded by an excise tax on coal. Although the future revenues from the tax are projected to exceed future benefits, operating deficits incurred in the past have resulted in an accumulated debt that is growing exponentially. Without debt restructuring, the Trust Fund will never become solvent and the debt will never be repaid. The Committee may consider legislation to refinance the Trust Fund debt in a budget neutral manner that allows the program to take advantage of today's lower interest rates and thereby repay its debt and restore solvency to its Trust Fund.

Unemployment Insurance

During the past year, the annual rate of growth in total U.S. employment has slowed considerably. Weak employment growth, along with other economic indicators, has led some observers to conclude that the U.S. economy may experience a recession this year.

Currently, most states provide up to 26 weeks of unemployment benefits for those workers who lose their job through no fault of their own. The bipartisan stimulus bill that was recently reported by the Finance Committee would have allowed up to 13 weeks of additional benefits in all states, and up to 26 weeks of additional benefits in states with high unemployment. These benefits would have been 100% federally funded. These additional benefits were not included in the final economic stimulus bill recently signed into law. Additional benefits may be provided if the unemployment rate goes up, or if there is a second stimulus bill.

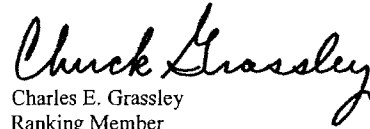
The President's Budget includes a proposal to provide for an increase in funds of \$40 million for reducing improper payments in the Unemployment Insurance program. The President's Budget also suggests new score-keeping methods for this and other payment integrity proposals. One of the changes suggested by the President would score this \$40 million of additional expenditures as zero, on the grounds that these expenditures save far more than they cost. This would replace the current scoring treatment that utilizes discretionary spending cap adjustments. The Finance Committee agrees with the suggestion to use this zero-cost scoring treatment for this \$40 million payment integrity proposal.

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

Sincerely,



Max Baucus
Chairman



Charles E. Grassley
Ranking Member

JOSEPH R. BIDEN, JR., DELAWARE, CHAIRMAN

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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

February 26, 2008

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

Dear Chairman Conrad and Senator Gregg:

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

At the outset, I repeat my suggestion made in years past that the Committee consider functions 050 and 150 as part of a "national security budget." Both national defense and international affairs programs are essential to the security of the country, and we should fund both adequately. This was true before the attacks on the United States in September 2001, and is even more so today.

International affairs funding is the "first line of defense," and the request should be treated as a floor, not a ceiling. The international affairs agencies remain underfunded and understaffed, in spite of increases in the last decade. That is not my conclusion alone, but that of several recent studies performed within and without the government. Therefore, in preparing the budget resolution, I urge you not to reduce the money allocated to function 150 under the President's request.

I also urge the Committee to bear in mind the difficulty of estimating foreign affairs funding over the duration of the budget resolution. Predicting the future in foreign policy can be difficult, because so many events outside the control of the United States can affect the course of American policy. I think it safe to say, however, that our international interests are unlikely to diminish over this period; the opposite is true. In the age of globalization, with ever-increasing links in commerce, travel, and communications, it is more likely that our interests will increase. Most important, we face a continuing threat of attack by international terrorist organizations. The unclassified portions of a National Intelligence Estimate, issued in July 2007 (entitled "The Terrorist Threat to the U.S. Homeland"), stated that the "U.S. Homeland will face a persistent and evolving terrorist threat over the next three years." The main terrorist organization threatening the United States – al Qaeda – has its base of operations overseas. Our foreign

policy institutions devote substantial resources to combating al Qaeda and its affiliates in numerous countries overseas. In sum, our security and economic interests dictate that we continue to provide adequate funding for the international activities of our government.

Against this background, let me discuss several specific items that your Committee should consider in preparing the budget resolution.

Funding for Iraq and Afghanistan

The President has requested a relatively small amount of foreign affairs funding for Iraq in the FY 2009 budget -- \$397 million in foreign assistance funds, and \$65 million for State Department operations. But this modest request obscures a much larger supplemental request of over \$2 billion for State Department operations in FY 2008. I would expect additional supplemental funds to be requested in FY 2009. This continues an objectionable practice of treating these costs as somehow unforeseen and worthy of exemption from the normal budget discipline. We should not force the taxpayers of tomorrow to bear the costs of today's military and foreign policy priorities.

I am pleased that the President's budget contains over \$1 billion in additional assistance for Afghanistan, but I remain concerned that the level of commitment falls far short of the President's pledge, made in 2002, of a reconstruction program modeled on the Marshall Plan. In fact, over the past six years the funds spent on Afghanistan's reconstruction equal what we spend on military operations in Iraq every three weeks. The budget presents little cause for optimism that the Administration will adopt a coherent plan for combating the illicit narcotics trade, which remains a major threat to the objective of establishing a secure and stable society. We, and the Afghan people, have waited half a decade for the President's promises to be fulfilled for Afghanistan. It is in our vital national interest to see that this budget funds a new strategy for success rather than a continuation of the failing policies of the past. Accordingly, I expect that the Committee on Foreign Relations will closely review the ongoing programs in Afghanistan and will reauthorize the Afghan Freedom Support Act (P.L. 107-327) at levels higher than those in the President's budget.

Non-proliferation programs

An ongoing priority of the Committee will be to improve the non-proliferation and counterterrorism posture of the United States. The Administration has emphasized military action against states, but has paid insufficient attention to non-military efforts to keep the world's deadliest weapons, materials, and technology out of the hands of the world's most dangerous people.

Committee priorities in this area will include: ensuring that sufficient resources and authority are available to take advantage of opportunities to verifiably disable and dismantle sensitive nuclear facilities in North Korea and, if possible, Iran (additional resources will be of particular importance if Congress is unable to enact a budget-neutral Glenn Amendment waiver for disablement, dismantlement, and verification activities related to North Korea's nuclear programs, a proposal that is supported by the Administration, Senator Lugar and me); providing

robust funding in a timely manner to key international organizations carrying out critical non-proliferation tasks, such as the International Atomic Energy Agency and the Organization for the Prohibition of Chemical Weapons; funding new State Department efforts to promote biosecurity worldwide; and enacting the Global Pathogen Surveillance Act to strengthen the ability of developing countries to detect and combat bioterrorism threats and infectious diseases. I first developed this legislation in 2002, and it has been approved by the Senate twice (most recently in December 2005 as S. 2170, a Frist-Biden-Lugar bill). The authorization of appropriations for these initiatives is expected to be \$150 million in FY 2009 and \$180 million in each of the out years.

Lastly, I would highlight a need that Senator Lugar has rightly raised in the past. The Department's Directorate of Defense Trade Controls (DDTC) is seriously under-staffed and in need of funds to hire more full-time personnel to process munitions license applications. Without an increase in funds for the activities of DDTC, license applications for critical arms sales to support our allies and their activities in Afghanistan and Iraq will continue to be processed far more slowly than we believe would be the case if more funds were available. Last year, for instance, DDTC had to process more than 40,000 cases with only 34 licensing officer positions filled. By comparison, the Bureau of Industry and Security at the Department of Commerce has far more staff to process far fewer cases involving dual-use export licenses. Yet the President's budget request for FY 2009 includes no funding for additional staff at the Licensing Office at the Directorate of Defense Trade Controls. The Foreign Relations Authorization Act for Fiscal Year 2003 (P.L. 107-228) authorized \$10 million to be available in FY 2003 for DDTC salaries and expenses. Six years later, the Administration's request for FY 2009 is only \$6.9 million. A doubling of that figure is warranted, to ensure that DDTC has sufficient funding to hire additional licensing officers.

Reconstruction and stabilization assistance

A priority for Senator Lugar and me continues to be to significantly improve the U.S. civilian capacity to undertake stabilization and reconstruction missions in countries that are recovering from war or conflict. I am encouraged that the President has requested \$248 million for the Civilian Stabilization Initiative (CSI), and I urge your Committee to assume funding for this initiative. The request level for the CSI would support a civilian active response corps of 250 personnel, a standby response corps of 2,000, and a civilian reserve of 2,000 drawn from the general U.S. workforce. This capacity is the core of legislation which Senator Lugar and I have introduced in every Congress since the 108th Congress. The Senate approved our bill in the 109th Congress and, with strong support from the Administration, we are working for enactment of the current version (S. 613).

Global Health

Progress in the battle against HIV/AIDS constitutes one of the leading accomplishments of this administration and U.S. foreign policy in recent years, but the President's request for global health funding, including HIV/AIDS, will fail to build on those achievements. The request includes a very small increase for HIV/AIDS funding overall, but it cuts funding for the multilateral Global Fund to Fight AIDS, Tuberculosis, and Malaria by \$340 million from the

enacted funding level for FY 2008, requesting only \$200 million within State and Foreign Operations and \$300 million within the Health and Human Services budget. In keeping with Congress's strong support of the Global Fund, I urge that the budget resolution assume additional funds for a U.S. contribution that will be provided within the 150 account. The President's budget request also significantly reduces funding for Child Survival and Health, including a substantial cut in bilateral funding to combat tuberculosis, despite the fact that drug resistant strains of tuberculosis are growing increasingly common and more dangerous.

Additionally, I would note that the authorization period for the United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Act of 2003 will expire at the end of FY 2008, unless extended by Congress. I believe that a strong, bipartisan majority in Congress is committed to the reauthorization of these important and successful programs. I expect that the Committee will initiate and Congress will pass reauthorization legislation. Therefore, the budget resolution should assume the continuation and, I hope, expansion of these programs.

International Violence Against Women

Current U.S. efforts to address violence against women are well intentioned, but fragmented and piecemeal, and lack systemic integration into current U.S. foreign assistance programs. Our approach to this issue can, and needs to be, more effective. Senator Lugar and I recently introduced comprehensive legislation to address the issue, entitled the International Violence Against Women Act (S. 2279). The bill contains three primary components: First, it reorganizes and rejuvenates the gender-related efforts of the State Department by creating one central office, directed by a Senate-confirmed Ambassador who reports directly to the Secretary. The Coordinator will be charged with monitoring, coordinating, and organizing all U.S. resources, programs and aid abroad that deals with gender-based violence. Second, we know that in humanitarian crises, conflict and post-conflict environments, women and girls are even more vulnerable to horrific acts of violence. The legislation requires training, reporting mechanisms and other emergency measures for those who are working directly with or protecting refugees and other vulnerable populations. Finally, the Act mandates a 5-year, comprehensive strategy, with coordinated programming, to prevent and respond to violence against women in 10 to 20 targeted countries. The Act authorizes \$175 million a year to support programs to prevent and address violence against women in areas such as strengthening criminal and civil justice systems, enhancing women's access to property and inheritance rights, improving access to health care and education, and supporting public awareness campaigns to change social norms. I urge your support for the additional funding contemplated by this bill.

Millennium Challenge Corporation

The President has requested \$2.225 billion to fund the Millennium Challenge Corporation (MCC) in FY 2009, which is significantly below the FY 2008 request of \$3 billion. I remain concerned about the lack of funds disbursed by MCC and delays in implementing its Compacts. Of the nearly \$7.6 billion appropriated to MCC since 2004, only \$145 million has been disbursed to date. At the same time, MCC enjoys the continued support of the development community and represents one of the few institutions in the U.S. Government dedicated to providing long-term development funding. Given the slow pace of disbursements, Congress has continued to

reduce the President's requests. This year, he has scaled back his budget request to an appropriate level. Therefore, I request the Committee assume MCC will receive its full funding request.

Development Assistance Funding

The President requests an increase in funding for the Development Assistance account to over \$1.6 billion, reversing a declining trend in this account as well. I have watched with increasing concern as the Administration has diverted funds from the development assistance account to the shorter-term Economic Support Funds. I believe adequately funding both accounts is critical to supporting a multi-faceted and balanced foreign policy. The programs supported by Development Assistance funds – basic education, water and sanitation, agriculture and trade capacity building – are essential building blocks for developing countries. I support the request level for this account.

Humanitarian assistance

I am concerned by the President's reduced request for humanitarian assistance funding, especially funds for the International Disaster and Famine Assistance account. The Administration has conveyed that it intends to request additional funds for this account through a budget supplemental. I do not believe this represents the best approach for dealing with emergencies as they arise. In each of FY 2004 through FY 2007, the total appropriation for the International Disaster and Famine Assistance account has exceeded \$500 million. There is little reason to expect this year to be any different, yet the President's request stands at \$298 million. As a result, humanitarian agencies working on the ground are forced to plan in a vacuum, leading to lives lost and inefficient expenditure of taxpayer funds. I believe it is much more sensible to fully fund these accounts in the regular budget.

Contributions for International Peacekeeping Activities

The President's request for Contributions for International Peacekeeping Activities – the account through which we pay the U.S. share of United Nations peacekeeping operations – significantly underestimates the amount that we will be required to pay for the United States' proportionate share of assessments in 2009. The estimate of U.S. payments for fiscal year 2008 was \$2.3 billion; the budget request for fiscal year 2009 is \$1.5 billion. We know that the need for peacekeepers in Africa alone is immense, and projected to remain that same, if not grow. Darfur, Chad, and Somalia are still in the grips of terrible conflicts. The Democratic Republic of Congo, which has seen horrendous violence in recent years and contains the largest of the UN peacekeeping missions, may be on the verge of a breakthrough toward genuine peace and needs a stable environment to support such a breakthrough. The President's budget request, however, would effectively cut funding for nearly all of the UN peacekeeping operations from estimated 2008 levels, and in particular a cut of \$75 million for the Congo mission, a \$56 million cut for the mission in Liberia, and a cut of \$39 million in the Cote d'Ivoire mission. No justification for these reductions is provided in the budget request; the budget resolution should assume that these projections are inadequate.

Migration and Refugee Assistance

The request for \$764 million for the Department of State's Migration and Refugee Assistance (MRA) account represents deep cuts from the Fiscal Year 2008 appropriation of \$1.023 billion. These cuts are most troubling at a time when significant refugee crises continue in nations such as Thailand and Chad, and where refugees remain in camps for a decade or more in some regions of the world. Of greater concern is that the President's request makes these cuts following a year where up to two million Iraqis have now sought refuge in neighboring countries in the Middle East, millions more Iraqis are internally displaced within Iraq, and at a time when the world community is struggling to address the needs of these populations. The budget resolution should assume a higher level of funding, at least consistent with last year's level.

USAID Operating Expenses

The President reverses a declining trend of funding towards USAID's operating expenses by increasing its FY 2009 funding request to over \$767 million. This will cover critical salary, operational, administrative, IT and central support costs. I believe it is a well-needed and much delayed step in the right direction. In particular, this request will allow the Agency to recruit, hire and train 300 new Foreign Service Officers, barely covering attrition rates. We have asked the Agency to expand its mission and operations into new theaters like Iraq and Afghanistan. We cannot expect it to achieve U.S. foreign policy objectives if we do not provide appropriate resources. I view this request as just the first step in a comprehensive reform and overhaul of how USAID operates.

State Department operations

The President has requested a 6.5 percent increase in the operating budget of the Department of State. Much of this is devoted to addressing personnel shortfalls and the need for more officers trained in difficult languages. The lack of experienced officers with adequate language skills in languages such as Arabic or Chinese is well known. In addition, several studies in the past few years – including by the Government Accountability Office and the Center for Strategic and International Studies – have noted that the Department suffers from serious personnel shortages. Altogether, the budget requests 1,543 new positions in the Department, of which 448 would be funded by fees in the Border Security program (i.e., visa and passport fees). I support this increase in personnel.

Extension of Overseas Private Investment Corporation

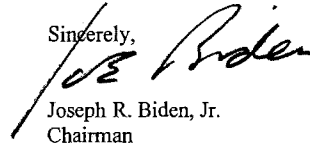
The basic authorities of the Overseas Private Investment Corporation (OPIC), set forth in Section 234(a), (b), and (c) of the Foreign Assistance Act of 1961, expired at the end of FY 2007, but have been extended by Congress to April 1. The House has approved a four year reauthorization (H.R. 2798); the Committee on Foreign Relations ordered reported a substitute version of this bill on February 13. I believe a majority of the Senate supports OPIC programs. Therefore, the budget resolution should assume the continuation of OPIC operations.

Direct spending

I request that the Committee provide the Committee on Foreign Relations with a small allocation (not more than \$10 million) for direct spending for Fiscal Year 2009. In recent authorization legislation for the Department of State, the Committee has approved provisions related to management and personnel in the Department that have resulted in small amounts of direct spending, though most of these provisions affect direct spending and revenues by less than \$500,000 annually.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Joe Biden", written over the word "Sincerely,".

Joseph R. Biden, Jr.
Chairman

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United States Senate

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

February 22, 2008

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

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

Dear Kent and Judd:

I write to provide my views and estimates from the Health, Education, Labor and Pensions Committee for your consideration as you prepare the fiscal year 2009 budget. The budget that President Bush recently presented to Congress clearly demonstrates the enormous difference in priorities between his Administration and the Democratic majorities in the Senate and the House of Representatives. If the President's budget is enacted, it will have devastating consequences for the wellbeing of the American people. It will deny schools across the country the resources needed to give their students a quality education. It will increase the number of Americans whose basic health care needs go unmet making an already serious situation worse. It will deny millions of hard-working, struggling families the support they need to get ahead. Ignoring these urgent national priorities, the Bush budget calls for \$2.4 trillion in additional tax cuts over the next ten years that will disproportionately benefit the already wealthy. This irresponsible plan should be soundly rejected.

I urge you to give high priority in the budget to increased investments in education and health care, especially the Children's Health Insurance Program, and to restore resources to uphold the rights of America's workers. Many of these important priorities fall under the jurisdiction of the HELP Committee. In this letter I hope to draw your attention to those programs which most urgently need funding and which I hope you will be able to support in the Fiscal Year 2009 budget.

EDUCATION

Education is more important than ever to our families and the nation's future. I'm disappointed that the President proposes no new investment to strengthen our nation's public schools. His budget cuts critical education programs from early education through adulthood. It takes funds from public schools to support student vouchers for private schools. It promotes anti-student policies in the loan programs that take away new benefits for student borrowers enacted last year. I urge the Committee to reject the President's proposed reductions in education programs, as well as his voucher proposals, and to provide a substantial increase in discretionary investment in education.

Elementary and Secondary Education

The President's budget underfunds the No Child Left Behind Act by \$14.7 billion, for a cumulative shortfall of \$85.6 billion since enactment of the law. His proposal to increase funding for the Act by only \$125 million is far from a significant investment in our schools, and even that paltry increase is paid for through unacceptable cuts in other critical education programs. As the HELP Committee works to reauthorize the Elementary and Secondary Education Act, we will address the challenges facing schools and districts in implementing the No Child Left Behind Act, and provide new solutions for our children and our schools. As part of that effort, it is critical that Congress make substantial progress in reversing the trend of under-funding the law's reforms. We urge you to include in your budget assumptions sufficient funds to double our investment in Title I of ESEA over the next five years and fully fund the school improvement program. These funds will be used to reduce class size, provide teachers with needed professional development opportunities, and provide extra help to students who need it.

I commend the President's recognition of the urgent need to modernize our nation's high schools, but I'm disappointed that once again he proposes to eliminate the Perkins career and technical education program and tech prep, undermining any hope for progress. It is appalling that each school day, 7,000 of our nation's high school students drop out. We need a significant investment of new resources to help states and districts improve middle and high schools, so that students will stay in school and graduate prepared to succeed.

New funding for the law should also include a significant increase in the Title II Teacher Quality program to provide incentives to attract, support and retain high-quality teachers in high-need schools. We must also ensure that teachers have access to high quality teacher preparation programs so they enter the classroom with the skills they need. These investments are essential if we are to enable all students to have access to a high quality teacher.

Higher Education

In the College Cost Reduction and Access Act enacted last year, Congress made a strong new commitment of resources to help struggling students and families afford a college education. But these efforts only just begin to reverse the damage inflicted by stagnant Pell Grant funding in recent years. With the cost of college more than tripling over the past 20 years, there is much more we can and must do to help families afford access to the American dream. We closed the gap between the maximum Pell Grant and the cost of college with increased funding for this critical program.

We must reject the President's misguided proposals to eliminate programs that low-income students depend on, such as, the Perkins Loan Program, Supplemental Education Opportunity Grants, and the LEAP program. Instead we must increase our investment in these and other programs that help needy students prepare for and succeed in college, such as TRIO and GEAR UP. We also must reject the Administration's anti-student proposals which would take away \$2 billion in new benefits for student borrowers over the next 5 years that were,

enacted as part of the College Cost Reduction and Access Act. The President's proposals strip assistance to borrowers in low-paying jobs to help them afford their loan payments, and significantly reduce eligibility for the new loan forgiveness program for individuals in public service and non-profit jobs. Struggling students and families need more help – not less.

Early Childhood Education and Care

Last year, Congress completed work on the Head Start for School Readiness Act, to reauthorize the successful Head Start program. The legislation builds on over 40 years of lessons learned to set an even better course for the program. It maintains Head Start's quality services, promotes school readiness, and ensures greater accountability in the programs. Although this landmark legislation was enacted by the Senate on a unanimous vote, President Bush provides for only a \$149 million increase in the program, far short of the funding needed to keep pace with inflation and the rising cost of providing Head Start's effective services to families in need. I urge you to increase funding for Head Start by \$772 million to meet the level of funding authorized in this legislation. I also urge you to recognize the critical role of quality child care for children by increasing funds for the Child Care Development Block Grant, and rejecting the level-funding for this program in the President's budget.

HEALTH

The budget is a major factor in determining how America will address the crisis of health care access and affordability. The number of the uninsured has risen to an unprecedented 47 million. Costs are rising out of control, making health care coverage less affordable, and undercutting American industry in the global marketplace.

The President's proposed budget will worsen the problem. The budget request includes a proposal that will undermine the current system of employer-sponsored coverage by taxing it for the first time. This new tax would be coupled to a deduction that will disproportionately benefit those at the highest income levels.

Children's Health Insurance Program

The Children's Health Insurance Program has made a major difference in the lives of millions of American children. We must continue to help the children of working families afford quality health care. I hope you will include a reserve fund in the budget so that Congress has the opportunity to address this critical challenge.

Medicare/Medicaid

The budget also proposes deep cuts in Medicare and Medicaid. Instead of eliminating the wasteful overpayments to HMOs that CBO estimates will cost Medicare \$65 billion over the next five years, the budget proposes reductions in needed services for seniors, and significant cuts in graduate medical education payments. The extraordinary reductions proposed for Medicare – nearly \$200 million over the next five years, and over \$500 million over ten years – will seriously undermine the nation's commitment to the health of senior citizens. Instead of

investing in the health of the nation's poorest families, the budget proposes \$17 billion in reductions in Medicaid. Some states have serious budget problems, they are more likely to reduce eligibility or scale back health benefits for low-income Medicaid beneficiaries than to meet these shortfalls. Like last year, the President's budget proposal includes significant cuts to Medicaid IME. I urge you to reject these flawed priorities, and instead maintain the promise of Medicare and Medicaid.

Medical Research/Public Health

Rather than making needed investments in medical research and public health, the President's budget calls for \$412 million in cuts to the Centers for Disease Control and \$992 million in cuts for the Health Resources and Service Administration. Under this proposal, important initiatives will be eliminated in critical areas of health care, including children's hospitals and essential programs to address the serious problem of health disparities, including the training of diverse cadre of primary care health professionals. The budget fails to capitalize on the promise of this new century of the life sciences by imposing on the National Institutes of Health a budget that is over \$1 billion less than needed to keep pace with biomedical inflation.

I also urge you to allocate sufficient funding to Function 550 in the budget to meet other urgent priorities in public health, including doubling FDA's funding over 5 years to give the agency what it needs to protect America's families from contaminated foods and drugs.

FDA Regulation of Tobacco Products

Last year, the budget contained a "deficit-neutral reserve fund" (Sec. 319(a)) to facilitate enactment of legislation giving FDA the authority to regulate tobacco products. The HELP Committee has approved such legislation, with the cost of FDA regulation fully borne by the tobacco industry through the establishment of a user fee assessed on manufacturers, based on their market share. We anticipate that this legislation will be considered on the Senate floor during the current session, and it is important that this year's budget provide a reserve fund similar to the one contained in last year's budget.

DISABILITY

With almost 20 percent of our people living with a disability, the services and support that enable individuals with disabilities to contribute fully to society are essential. Yet the President's Fiscal Year 2009 budget proposes deep cuts to key programs for some of our most vulnerable citizens.

Mental Health

The Administration's budget is particularly hard for individuals with mental illness. It includes no funding for mental health parity legislation to put mental health coverage on a par with physical health coverage. Cuts to SAMHSA make it more difficult to provide necessary services that can lead to recovery for those struggling with mental illness and substance abuse disorders.

I urge you to include a \$3 billion reserve fund in the budget to ensure funding for the Mental Health Parity Act of 2007 and to reject the President's cuts in SAMSHA.

HIV/AIDS

The President's budget offers only a \$1 million increase in overall funding for HIV/AIDS programs, but at the same time, it proposes dangerous cuts in funding for some of the Ryan White Care Act's critical programs. The budget cuts \$7.7 million from Part A of the Ryan White Care Act, and cuts \$5 million for Aids Education Training Centers, and diverts \$40 million in funds for important prevention activities to testing programs. I urge you to restore funding to these programs that are essential in saving the lives of individuals with AIDS, many of whom are increasingly minority women with children and families.

Traumatic Brain Injury

I'm also disappointed that the President's budget eliminates funding for HRSA programs for individuals with Traumatic Brain Injuries, at a time when brain injuries are the signature wound in the wars in Iraq and Afghanistan. I urge you to restore the \$9 million in funding for these necessary programs that help our nation's soldiers, children, and others with brain injuries and their families.

Education and Training

Among our top education priorities should be meeting our federal obligation to educate children with disabilities. The 2004 reauthorization of the Individuals with Disabilities Education Act set appropriations targets to reach the federal commitment of funding 40% of the cost of educating students with disabilities by fiscal year 2011. The President's budget falls far short of meeting those targets. I urge the Committee to build on the work of the Congress in reversing this course by including an increase in funding for IDEA next year. In addition, the Senate should reject the President plans to take administrative action to reduce Medicaid-based reimbursements related to services for special education students by \$600 million in FY 2009 and \$3.645 billion over the next 5 years. I urge the Committee to reflect in its budget the HELP Committee legislation that prevents the Administration from proceeding with this misguided policy.

We must also reject the President's cuts in early intervention programs for children with disabilities, preschool grants and grants for infants and families, and support employment programs that help individuals with developmental disorders, including autism. We should increase funding for the Vocational Rehabilitation State grant programs for individuals with disabilities. While many labor programs have received deep cuts, I am encouraged that the President's budget includes a modest increase to \$46 million for the "Ticket to Work" program that aids individuals with disabilities in obtaining employment. This program enables individuals with disabilities to provide for their families and contribute fully to society. I ask you to maintain the increase for this important program.

LABOR AND ECONOMIC SECURITY

Today, working families are struggling more than ever. Our economy is spiraling into recession. Unemployment is on the rise, and it is taking out-of-work Americans longer and longer to find a job. Instead of helping families, this budget slashes funding for needed programs for workers and their families. It eliminates programs that help workers find new jobs and train them for new careers. It also falls far short of providing the necessary resources to protect those workers who do have jobs.

Unemployment Insurance and Employment Services

Nearly 8 million Americans are unemployed and having difficulty finding new work. The President's budget eliminates State Employment Service grants for programs that help workers find new employment. We must preserve the important support that State Employment Service grants provide for those in our economy who will be hit hardest in the coming recession.

Employment Training

As the nation grapples with this economic slowdown and as jobs in manufacturing and other industries continue to disappear, job training for displaced workers is more critical than ever. Instead of investing in the American workforce, however, the Administration has proposed drastic cuts in core workforce programs for adult, dislocated, and older workers. These cuts total well over \$1 billion this year. Shockingly, the Administration proposes to eliminate the Employment Service – a longstanding source of assistance and training for workers – amounting to a \$703 million cut. The Administration slashes \$484 million from training and employment programs funded through the Workforce Investment Act, a reduction of 14 percent from FY08 levels. In addition, the Administration proposes a \$172 million cut in programs that serve older, low-income workers – a reduction of more than 40 percent. Congress should reject each of these cuts and ensure that workers receive these vital job training services.

The Administration continues to play a shell game with job training money by again proposing legislative changes that take funds from existing job training programs to give the illusion that they are helping workers get the skills that they need. For instance, the President is seeking to channel 75% of all federal job training funds into "Career Advancement Accounts" that will give workers private accounts to purchase training or education services from government providers or the private sector. This program effectively guts existing federal job training programs, requires workers to pay for federal training services that currently are provided free, and gives workers a less valuable benefit that could be mistakenly squandered on useless or fraudulent training programs. In addition, the Administration proposes to combine adult worker, dislocated worker, and youth funding under the Workforce Investment Act and Employment Service programs into a single block grant. This proposal would eliminate specific programs that provide vital services to groups with special needs, such as unemployed youth and Native Americans. Neither of these legislative proposals was included in the House- and Senate-passed Workforce Investment Act reauthorization bills in the 109th Congress, and are strongly opposed by the local workforce community. Congress should continue to reject these ill-advised plans.

Workplace Rights and Protections

A critical step in helping workers to obtain their fair share of economic growth is to protect basic workplace rights. We need more vigilant enforcement of major standards such as the minimum wage, overtime laws, the Family and Medical Leave Act, and stronger protection of the right to organize and the right to collective bargaining. I urge the Budget Committee to fully fund the Department of Labor's Wage and Hour Division and the National Labor Relations Board, and to increase the budget of the Equal Employment Opportunity Commission to \$378 million in order to serve these important goals.

Our commitment to workers' rights also means maintaining high standards to protect the health and safety of the American workforce. The President's budget shortchanges an essential worker protection agency, the Occupational Safety and Health Administration. OSHA's budget has not kept pace with inflation, and the agency is unable to vigorously enforce the law and protect workers. In addition, I am troubled that the Administration has once again proposed eliminating funding for worker safety training programs (funded at \$9.9 million in FY2008). Congress has repeatedly rejected the Bush Administration's attempts to totally eliminate funding for worker safety and health training and education programs in past years, and it should continue to do so.

The President's budget also proposes to decrease funding for the National Institute for Occupational Safety and Health to \$246 million -- \$27 million less than the agency received last year, and a steep drop (over \$30 million) from levels in the earlier years of the Bush Administration. In the past year, NIOSH has had a central role in developing mine safety technology and identifying emerging workplace hazards, such as diacetyl exposure of workers in the microwave popcorn industry. We must preserve the valuable research, information, and education services that NIOSH provides by maintaining current funding levels. The budget also includes an unacceptable reduction in NIOSH funding for programs that deliver health care services to the brave men and women who responded to the tragedy at the World Trade Center, threatening the very existence of these programs. The American heroes who put their lives and health on the line on September 11th deserve to have these programs fully funded.

The nation's miners also deserve our strongest commitment to their safety and health. The disasters at Sago and Aracoma in 2006 finally brought attention to the unacceptable underfunding of the Mine Safety and Health Administration, and last year's disaster at Crandall Canyon made clear that the job of bringing mine safety up to date is not done. The Administration's budget, however, fails to honor the commitment we made to keep MSHA adequately funded, and I'm particularly concerned about the Administration's request to reduce the budget for coal mine safety enforcement by almost \$10 million. I urge you to restore MSHA's budget to at least the FY 2008 level.

The President's budget also inadequately funds another of our essential worker protection agencies, the National Mediation Board, reducing its budget by \$300,000. The transportation sector is vital to our nation's economy, and NMB ensures that transportation workers are treated fairly so they can do their jobs and keep the country moving. Congress should fully fund the Board's budget.

International Labor Affairs

American workers continue to lose jobs to global competition because other countries do not enforce basic labor protections such as a minimum wage or maximum working hours, and they often tolerate abhorrent practices such as child labor and forced labor. Yet the Bush budget proposes to drastically scale back the role of the International Labor Affairs Bureau, which monitors working conditions in other countries, cutting its budget \$66 million, or 82 percent. Such cuts should be rejected.

Anti-Poverty Programs

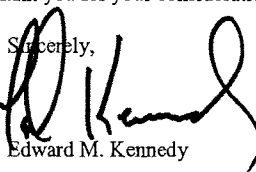
The President's budget once again proposes eliminating the vital Community Services Block Grant and the Community Services Discretionary Awards. These two programs support over 1,000 community agencies across the nation that provide needed case management, education, and direct services to families for nutrition, housing, health, employment, and financial management. In addition, the discretionary funds make it possible to respond to unique circumstances of high need, often caused by natural disasters or specific regional economic crises. I urge the Committee to restore and fully fund these programs.

The President's budget also proposes a 34% reduction in the Social Services Block Grant from \$1.7 billion to \$1.2 billion. With the economy in crisis and the first reported overall job losses in 4 years, families are at greater risk of falling into poverty. The Committee should fully fund the Social Services Block Grants to meet the increasing need in these difficult times.

LIHEAP

I also urge the Committee to provide \$5.1 billion for the Low Income Home Energy Assistance program, which brings essential aid to those who are least able to afford their utility and heating oil bills. More than 70 percent of households that receive LIHEAP assistance have incomes below the federal poverty level. The number of households eligible for LIHEAP has increased by 25 percent since 2003, and home heating prices continue to rise, but the program's funding level has not kept pace. The Administration has repeatedly sought to under-fund LIHEAP, despite the fact that the program's current funding level can serve only 16 percent of eligible households. The White House budget request would cut \$570 million from the current year's funding level, a 22 percent reduction. Fully funding LIHEAP will ensure that next winter, these households won't be forced to make impossible choices about whether to heat their homes or buy food or medicine.

With respect and appreciation, and thank you for your consideration of these proposals,

Sincerely,

 Edward M. Kennedy

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COMMITTEES:
 Health, Education,
 Labor and Pensions
Ranking Member
 Banking, Housing and
 Urban Affairs
 Small Business
 Budget

February 20, 2008

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

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

Dear Kent and Judd:

Pursuant to Section 301(d) of the Congressional Budget Act, I am responding to your letter dated February 5, 2008, requesting a views and estimates letter on proposed FY 08 spending for programs and activities that fall within the jurisdiction of the Senate Committee on Health, Education, Labor and Pensions (HELP.)

Given the HELP Committee's wide jurisdiction over domestic and social programs, it has a very serious responsibility to assist all Americans in meeting challenges at pivotal points in their lives. These challenges are wide ranging and could involve areas as diverse as unforeseen disasters, assistance with expenses associated with education, unemployment, health care, energy and virtually all aspects of domestic life

In the last Congress, through the authorization process and aggressive oversight, the HELP Committee worked across party lines and reported 35 bills. President Bush signed 27 laws from HELP-related proposals. Already in the 110th Congress, six major pieces of legislation considered by the HELP Committee have been signed into law, five others have been passed by the Senate, and two have been approved by the Committee. I expect that all members of the HELP Committee will continue working collaboratively to maintain a resolute pace in this session of the 110th Congress—continuing to actively consider federal programs that foster a lifetime of opportunity at school, at work and in retirement.

As Members of Congress, we have an urgent responsibility to provide future generations with a strong and secure American economy. As stewards of the public trust, we owe it to all American taxpayers to use the funds they provide us in the most effective ways possible. We must carefully exercise our responsibility to see to it that their hard-earned money is spent wisely by allowing ourselves time to provide adequate oversight and program review. We cannot abuse the trust that Americans placed in us when they sent us here to represent them.

I support your efforts to pass budget reform through your work on the Biennial Budget and Appropriations Act and the Stop Over Spending Act. My hope is that in fiscal year 2009 Congress will seriously consider the President's request to reduce the rate of growth in entitlement programs, including Medicare and Medicaid.

HEALTH

As health care costs continue to increase at a dramatic rate, it is important to contain both discretionary and mandatory spending. Every American should have access to high quality health care at affordable prices and Congress must work with State governments and the private sector to achieve this goal. We must focus on making health care pricing more transparent and allow market forces to drive costs down as quality becomes more easily measured and reported. The HELP Committee should be committed to advancing this vision of affordable and accessible health care across America, particularly in rural areas.

Transforming Health Care in America

I applaud the President for including, for the second year in a row, the proposal replacing the exclusion for employer sponsored health insurance with a flat deduction for those with at least catastrophic health insurance. It is critical that Congress act to eliminate unfair tax treatment of health insurance which will expand choices and coverage and give all Americans more control over their own health care. To achieve this goal, I propose building on the President's proposal by coupling it with targeted tax credits for low income individuals who wouldn't otherwise be able to afford health insurance. I believe this hybrid tax approach will go a long way in making sure all Americans have health insurance.

Additionally, making health insurance more affordable for small businesses and working families is an achievable goal in 2008. Meaningful reforms must take place in the small group and individual health insurance markets. Congress must increase the ability of small businesses to offer health insurance to workers. To that end, last Congress I authored with Senator Nelson, and the HELP Committee approved, the Health Insurance Marketplace Modernization and Affordability Act of 2006. The Congressional Budget Office (CBO) estimated that this proposal would provide health insurance to an additional 600,000 individuals. CBO also estimated that it would increase revenues and decrease outlays, with net deficit reduction of approximately \$1.2 billion over 5 years. I will continue working with all of my colleagues to reduce the number of uninsured, and provide better access to affordable insurance.

Last summer, I introduced a bill combining many of these proposals into one comprehensive health care reform proposal. *Ten Steps to Transform Health Care in America* is a bold and comprehensive solution that addresses our health care crisis by building on market based ideas and bringing transparency to the

system. Better transparency in price and quality will foster a health care system that focuses on the patient, not the bureaucracy. Comprehensive reform can and must be high on Congress' agenda, and it will require a robust and challenging debate.

Electronic Health Records and Health Information Technology

The Institute of Medicine estimated that one and a half million preventable drug-related injuries occurred in 2006. Additionally, many unnecessary deaths occur because of mistakes in administering drugs and infections contracted in hospitals. This is unacceptable. Congress should address this problem by passing legislation encouraging and facilitating increased adoption of health information technology. The widespread adoption of health information technology will improve the quality and reduce the cost of health care. In addition, moving to a system of portable electronic health records will give people more access to and control over their own personal health. I urge Congress to act swiftly and pass the Wired for Health Care Quality Act, which was reported out of the HELP Committee last year.

Food and Drug Administration

The Food and Drug Administration (FDA) has statutory responsibilities to both protect and promote the public health by ensuring that our food is safe to eat, and to assure that effective drugs and medical devices are available in a timely manner. I strongly support the FDA's mission and I encourage Congress to provide the agency with sufficient funding to carry out its vital work. To this end, I support a meaningful funding increase.

In order to meet the President's overall FDA budget request, four new user fees would need to be authorized through legislation. In addition, Congress must renew the animal drug user fee program.

Food safety is an issue that affects all Americans. The United States has one of the best food safety systems in the world. Yet there is always room for improvement, and the proportion of our food supply that is imported is increasing. Outbreaks of food-borne illnesses in products as diverse as fresh produce, canned sauces, and peanut butter, as well as the recent contamination of pet food with melamine, highlight the need to target resources to food safety. The FDA's Food Protection Plan highlights the updated authorities that are needed, in addition to resources beyond the increase for the foods program proposed in the President's budget. The Committee was pleased that Congress began to improve food safety last year with provisions to establish early warnings, better track recalls, and analyze data to support risk-based inspections. It is critical that this effort continue, and result in legislation that partners private sector efforts with limited federal resources to provide better protection than either could alone.

I note that the President's budget for FDA does not include funds or proposals for the regulation of tobacco. Although fighting the scourge of tobacco use is a high priority of mine, a massive expansion of government with little impact on the levels of tobacco use is not the way to achieve this goal. Instead, the Congress should enact sensible legislation that leverages market forces and proven public health campaigns to achieve real reductions in the number of tobacco users.

Finally, the President's budget proposes the creation of a new authority to create a pathway for the approval of second generation biologic products. This new authority will be an important tool in the FDA's analysis of similar products to previously approved products, ensuring that unnecessary testing is not required for these "biosimilar" products. This new authority is important as, over the long term, it will lead to the approval of biologics that will help control spending for biologic drugs. Although this authority is important and should lead to savings in the long term, it is important to measure expectation and understand that the savings that derive from biosimilar products will not be equivalent to the savings seen with generic drugs and will not be seen immediately.

Fair and Reliable Resolution of Medical Liability Cases

The cost of medical liability insurance and the role of medical litigation raise complex issues. But instead of pitting doctors versus trial lawyers versus insurance companies, the focus should be ensuring fair and reliable results for patients and providers, and on ensuring accessible and affordable health care for all Americans.

The Committee should encourage states to experiment with new approaches to resolving medical liability cases by allowing states to try alternatives to litigation. These alternatives should encourage early disclosure of preventable medical errors, prompt and fair compensation for injured patients, and careful analysis and reporting on trends and patterns of health care errors to prevent future injuries. Quick, fair and reliable resolution of medical liability cases is a worthy objective that would also save the health care system billions of dollars by reducing legal costs and the cost of "defensive medicine" that is often unnecessary and sometimes dangerous for patients.

Public Health Preparedness

Biological threats continue to be one of the greatest dangers to our nation. A rapid and effective response to biological threats – whether natural, accidental, or man-made – depends upon ongoing federal and State coordination and the effective use of federal funds by State governments.

With the passage of the Pandemic and All-Hazards Preparedness Act last Congress we have taken a promising step toward this goal. We must ensure that the new Assistant Secretary for Preparedness and Response effectively

coordinates preparedness efforts at the federal level and implements accountability measures to ensure federal funds are used appropriately at the State level to prepare for these threats.

I support the President's FY09 budget request of \$4.3 billion for bioterrorism and emergency preparedness including the President's request of \$250 million to target advanced research and development on promising medical countermeasures. This request will help bolster federal and State public health infrastructures and encourage development of medical countermeasures, which are essential to an effective response.

Rural Health Care and Community Health Centers

Community health centers play an integral role in ensuring all Americans have access to primary and preventive health care. Community health centers are especially important in rural and other underserved areas. I applaud the President's commitment to expand community health centers, especially the President's goal of placing a community health center in every poor county in the United States. Congress should do its part by focusing on reauthorizing this critical program. Additionally, providing access to high quality health care in rural and frontier areas can be challenging. Congress should work to reauthorize the rural health care services grant programs in section 330A of the Public Health Service Act.

Health Workforce

The Committee should reauthorize the health professions training programs in Titles VII and VIII of the Public Health Service Act in a way that addresses longstanding concerns about the effectiveness of these programs. The Office of Management and Budget and the Government Accountability Office have repeatedly questioned the focus and effectiveness of these programs. I agree with some of these criticisms, but believe a small but targeted federal investment can play an important role in ensuring an adequate supply and distribution of health professionals across the country.

Substance Abuse and Mental Health

Methamphetamine use is the scourge of many rural communities in the Western and Midwestern United States. I support the President's budget request which provides an additional \$3.5 million for the Access to Recovery voucher program for areas with high methamphetamine prevalence; bringing the total funding level for Access to Recovery to nearly \$100 million. The Access to Recovery program increases consumer control and choice over the treatment services they receive, and this targeted funding toward methamphetamine use will be welcomed by rural and frontier communities. However, the President's request decreases SAMHSA funding by \$198 million, including a reduction of \$5 million for

underage drinking programs and a reduction of \$12 million for youth suicide programs.

Congress must continue to work on the reauthorization of the Substance Abuse and Mental Health Services Administration (SAMHSA) and ensure that the Administration's services are coordinated with other federal agencies. SAMHSA's work supports State efforts to expand and enhance prevention and treatment programs that provide substance abuse and mental health services. As the Committee moves forward on reauthorizing SAMHSA this year, we will ensure that the agency's programs are not duplicative, and focus on measuring outcomes while ensuring that providers deliver effective treatment and prevention services to those in need.

I support funding for the National All Schedules Prescription Electronic Reporting Act of 2005. The diversion and abuse of legally manufactured prescription drugs is a pressing national issue. I support the goal of fostering the establishment of State-administered prescription drug monitoring systems to ensure that health care providers have access to accurate, timely prescription history information that they may use as a tool for the early identification of patients at risk for addiction. Unfortunately, this program has not received funding and grants are not being awarded.

Traumatic Brain Injury

The budget request does not include funding for the Traumatic Brain Injury Act. The program was funded at \$9 million in FY 08. The Senate passed a TBI reauthorization bill in December of last year and the House will be addressing the measure early this year. Because of the increased level of services for this population due to the wars in Iraq and Afghanistan this program should be adequately funded.

Fighting AIDS Domestically and Abroad

Just over a year ago, the Committee reauthorized the Ryan White CARE Act, a program to provide care and treatment to those within the United States living with HIV. This bill created a new focus on the epidemic of today, not yesterday. I was discouraged when the appropriations process dramatically altered the underlying, authorized funding formulas so that fewer people could receive additional funding. This year, I strongly hope we will retain the integrity of the Ryan White funding formulas. In addition, the Committee should examine additional ways to provide funding for this vital program, taking into account the overall discretionary spending constraints.

This year, the Committee should reauthorize the President's Emergency Plan for AIDS Relief, a program to provide care, treatment, and prevention services to those outside our national borders. In examining this key program, we must

ensure that our resources are being appropriately leveraged and targeted toward sustainable public health and health care infrastructure needs, while also increasing the number of individuals receiving life-saving HIV treatment. It is critical that we examine the host of programs that are covered by this initiative and the financial management of each of those. Finally, we must preserve key compromises that have ensured broad-based support for the legislation.

EDUCATION AND WORKFORCE

Promoting a lifetime of learning through strong federally funded education and training programs is vital to improving the knowledge and skills of our students and the quality of our workforce to advance America's competitiveness in the global economy.

In light of the significant increases in federal education spending over the past seven years, and the fact that we continue to be in a period where we must focus on fiscal responsibility—we are pleased that in the period 2001 through 2008, discretionary education spending has increased by \$17 billion or 40%. I strongly support the President's request for \$24.5 billion for funding No Child Left Behind (NCLB) programs. Funding for NCLB rose from \$17.4 billion in fiscal year 2001 to \$24.4 billion in fiscal year 2008, an increase of \$7 billion or 40 percent.

Elementary and Secondary Education

It is anticipated that the Committee will reauthorize the No Child Left Behind Act (NCLB) this year. NCLB represents the most comprehensive overhaul of the federal Elementary and Secondary Education Act (ESEA) since its original enactment in 1965. ESEA authorizes numerous education programs and is the principal federal law affecting elementary and secondary education. Since 2002, NCLB has focused schools on achieving the goal of 100% proficiency for all children and putting in place plans to reach the goal. It is the intention of the Committee to maintain the key goals of NCLB as we work through the reauthorization process.

Federal dollars must be focused on programs that have been proven to be effective in increasing student achievement and closing the achievement gap. Many schools are now in need of guidance and assistance for school improvement. I am pleased with the President's proposal to provide funding for Title I School Improvement grants for low and under-performing school districts. Over the past few months the Committee has been working on a bipartisan reauthorization bill that builds on the successes and addresses the shortcomings of NCLB that have been identified since 2002. Coupled with this focus on fostering school improvement, we should reward teachers who help students gain the knowledge and skills they need to be successful. I support the President's request of \$200 million for the Teacher Incentive Fund.

Math Now was included in America COMPETES and will be addressed in NCLB reauthorization as well. These programs will be designed to prepare students for rigorous high school math and improve mathematics instruction for middle-school students whose achievement is significantly below grade level. The Committee is encouraged by this emphasis on science, technology, engineering and math (STEM) knowledge, and supports efforts to promote these essential skills.

I am fully supportive of the President's request to restore funding for the Reading First and Early Reading first programs. These are programs of proven success and have received significant support from parents and teachers alike. Reading First is an example of a federal program that has demonstrated success in increasing student academic achievement should be a priority to receive funding over new programs.

I appreciate the President's focus on and commitment to high school reform. A greater understanding of what is already being done in communities to ensure that more students graduate from high school on time, prepared for both postsecondary education and the workforce is necessary before substantive changes are made to the Elementary and Secondary Education Act to ensure that our students are not "wasting" their high school senior year.

Early Learning and Head Start

Head Start: For children to succeed in school, it is important that we promote school readiness through high quality early childhood education. Improving the Head Start program while maintaining its strongest components and comprehensive nature is critical to ensuring that young, disadvantaged children are equipped to learn when they enter school. This is the goal we achieved when we reauthorized the Head Start Act with passage of the Improving Head Start for School Readiness Act. Any funding increases for Head Start should be for the purpose of ensuring strong accountability components, measurable results for children, and effective linkages between federal, State, and local programs as included in the reauthorization. I firmly believe that any additional resources provided for the purpose of early childhood education should be provided for the Head Start program, and not for new initiatives. In this time of limited federal resources it is vital that we focus on what has been proven to be effective in preparing children for kindergarten.

Higher Education

The Deficit Reduction Act of 2005 reauthorized the mandatory spending programs under the Higher Education Act of 1965. The College Cost Reduction and Access Act (CCRAA), which became law in September 2007, made additional changes to the student loan programs and provided new mandatory funding for other higher education funding. Now it is critical to reauthorize the discretionary programs under the Higher Education Act, as postsecondary

education is the key to future success for our students, our communities and our economy. Both the Senate and House have passed bills to reauthorize the Higher Education Act, and we anticipate conferencing the bills in the next few weeks.

The budget request includes a combination of \$16.9 billion in discretionary funding to restore the discretionary share of the maximum Pell grant to \$4,310 and \$2.1 billion in mandatory funding to support a maximum Pell grant of \$4,800 for award year 2009-2010. The FY 2009 increase places Pell grant funding on the path to a Pell grant maximum of \$5,400 for 2012-13. It is important that students of all ages have opportunities throughout their lives to pursue postsecondary education, and Pell Grants are the cornerstone of student financial aid. We agree with the budget request that includes a proposal to make Pell grants available year-round, providing students with the option to accelerate and complete their education more quickly, a provision included in both Senate and House reauthorization bills.

The budget proposes a new, market-oriented program to provide loans for short-term training programs that are not currently eligible for Federal student aid. The program would help dislocated, unemployed, transitioning, or older workers and students acquire or upgrade specific job-related skills in programs leading to an industry credential or certificate. While we have not done enough to support students pursuing such programs, we need to have more information before such a program is enacted.

The Senate Higher Education Act reauthorization bill includes changes to eligibility for American Competitiveness Grants (ACG) and National Science and Mathematics Access to Retain Talent (SMART) grants. The President's budget has proposed to cancel \$652 million in "unneeded" balances due to lack of demand based on current student eligibility. The impact of the changes made in the Higher Education reauthorization bill should be determined before any further reductions are made.

The President's budget reiterates the Administration's proposal to recall the Federal portion of the Perkins Loan revolving funds and phase out the program. It also proposes the elimination of Federal Supplemental Educational Opportunity Grant (FSEOG), another of the campus-based programs.

The budget requests reduced funding for several discretionary programs in Title III of the Higher Education Act, which authorizes aid for development of minority-serving institutions. Many of these programs received mandatory funding in the College Cost Reduction and Access Act, and I support reducing the discretionary funding accordingly.

The President's budget again proposes to eliminate funding for the Perkins Career and Technical Education (CTE) program. In light of the Perkins CTE

reauthorization that passed with overwhelming support in 2006, I recommend that the program be funded at the FY 2008 level.

Job Training

The economic well-being of our nation depends on the skills of our workforce. In this technology-driven, global economy, school is never out. Republicans are committed to providing workers with the opportunity to gain the skills they need to succeed in the workforce, and to assist displaced workers who need retraining for new jobs. Federal, state, and local job training programs are vital to the country's economic well-being, and are invaluable for the people they serve. We must encourage economic development but if the workers with the necessary skills are not available here, those jobs and companies will go elsewhere.

The Workforce Investment Act (WIA) is our country's primary federal job training program. It expired in September 2003. Reauthorizing this important legislation is a main priority for the HELP Committee. Several Committee members are concerned that the Administration's FY09 budget proposes Career Advancement Accounts which appear to restructure the WIA system. I am committed to working with the Administration, my colleagues in the Senate, and members of the House to reauthorize WIA as an essential component of the federal education and training infrastructure, and as part of any future economic stimulus package. The Senate needs to move quickly on reauthorizing WIA to provide the flexibility and greater accountability needed to meet the skill requirements of a technology-driven workplace.

Special Education

When Congress passed IDEA in 1975, it committed to pay up to 40% of the national average per pupil expenditure (APPE) – estimated to be the extra cost to schools for providing special education services – to offset the excess cost of educating children with disabilities. The FY09 budget request for all of the programs funded under IDEA totals \$12.1 billion, an increase of \$377 million for Part B, Grants to States. Since 2001, IDEA has received the highest level of Federal support ever provided for children with disabilities. However, the IDEA reauthorization of 2004 outlined a plan to achieve “full funding” in discretionary appropriations by 2012. While we have made progress toward fulfilling this commitment, we must continue to improve every year. The Budget Resolution should strive to reflect the goals outlined in the IDEA reauthorization.

Vocational Rehabilitation

The budget request does not include funding for four major programs within the Rehabilitation Act, the Recreation Program, Migrant and Seasonal Farmworkers, Projects with Industry and the Supported Employment Grant Program. Each grant program provides specialized services that persons with significant

disabilities rely on in order to succeed in the workplace or access to the community. The Budget Resolution should provide adequate funding for each program. Furthermore, the budget flat funds the Vocational Rehabilitation State grants at \$2.8 billion.

Assistive Technology

The budget requests \$25.6 million for the Assistive Technology Act, flat funding the State grants portion of the program, but did not request funding for the Protection and Advocacy for Assistive Technology program (PAAT). PAAT provides protection and advocacy services to assist individuals with disabilities of all ages in the acquisition, utilization, or maintenance of assistive technology services or devices—and should be adequately funded.

Randolph-Sheppard and JWOD

The Randolph-Sheppard and Javits-Wagner-O'Day (JWOD) Acts were enacted in the 1930's, and are the two main federal employment programs for persons with disabilities. Subsequent to the six month investigation the HELP Committee conducted in 2005 and first oversight hearing in 70 years, the Committee started an exhaustive reformation process for each program. I will continue to work with Chairman Kennedy on deficit neutral reforms to Randolph-Sheppard and JWOD that address the fraud, waste, and abuse issues highlighted in the hearing and create better employment opportunities for more persons with disabilities.

Office of Disability and Employment Policy

The budget requests \$12.4 million for the Office of Disability Employment Policy (ODEP) at the Department of Labor. Authorized by Congress in the Department of Labor's FY01 appropriation to develop national policy ensuring that people with disabilities are fully integrated into the 21st Century workforce this requested level cuts ODEP's budget by more than 50% (ODEP is currently funded at \$27 million). ODEP should be adequately funded to meet Congressional intent which includes awarding grants.

RETIREMENT SECURITY

Recently, Congress acted to restore the stability and solvency of our nation's private-sector pension system through the Pension Protection Act of 2006 (PPA), (PL 109-280). In addition, higher premiums for the Pension Benefit Guaranty Corporation (PBGC) were enacted in the Deficit Reduction Act of 2005, (P.L. 109-171) to improve the PBGC's solvency and ability to insure the nation's thousands of private pension plans. According to the most recent annual statement by the PBGC, the PBGC's deficit has been reduced from more than \$23 billion to just over \$14 billion. As the implementation of the Pension

Protection Act will continue for the next 5 years, I anticipate that the PBGC's funding status will continue to improve.

To rectify the current \$14 billion shortfall in the PBGC's Trust Fund, the Administration will recommend additional legislative proposals to increase the flat-rate and variable-rate premiums that the PBGC charges. As we have not yet seen this legislation, we are unable to comment on it right now. However, we will be carefully monitoring the Administration's proposals and how they are introduced into the Senate. We must ensure that any premium increases must be weighed against whether companies will decide to retain or terminate defined benefit plans for their employees.

LABOR

Genetic Information Nondiscrimination

A reasoned reaction to the advances of modern science has again resulted in the first workplace bill reported out of the Committee—the Genetic Information Nondiscrimination Act, S. 358— which was approved by a vote of 19-2. A similar House bill, H.R. 493, passed the House and is on the Senate calendar. The Committee has long recognized that one's genetic make-up is as unique and personal as one's race, or sex, or age, and no less deserving of the law's protection against misuse or discrimination. The act will help fulfill the promise of genetic research to save lives and reduce health care costs, by establishing basic protections that will enable and encourage individuals to take advantage of genetic screening, counseling, testing, and new therapies, without the fear that this information will be misused or abused.

I look forward to further Senate and House consideration of these bills and enactment of the Genetic Information Nondiscrimination Act.

Occupational Safety and Health

The safety and health of U.S. workers is a consistent high priority for the Committee. The Administration's FY09 budget has proposed a \$16 million increase for the Occupational Safety and Health Administration that would bring its funding to \$502 million. These additional funds would be used to hire an additional 47 employees.

I have repeatedly noted that achieving safety in the workplace must entail more than regulatory enforcement. Employers have a natural incentive to encourage workplace health and safety, and the vast majority of American employers do seek to comply with the law and provide their employees with a safe workplace. OSHA needs to foster this approach through its outreach and compliance assistance programs, as well through expansion of its Voluntary Protection Program and similar initiatives. Moreover, we need to make workplace safety everyone's responsibility, not the sole province of employers; and, we need to

address the behavioral causes of workplace injuries, in addition to the structural and environmental causes.

Mine Safety Oversight

This year's budget request for the Mine Safety and Health Administration is some \$19 million more than last year's request, an increase of some 6%. The increase will, in part, be used to hire an additional 55 employees in MSHA's metal/non-metal division.

I support the MSHA request. I also note that like workplace safety generally, safety in our mines cannot be limited to only regulatory enforcement. Fostering a culture of safety and a diffusion of responsibility for a safe working environment are equally important in the mining sector. Enhancing the development and approval of new safety technology is also critically important in the mining industry. Because of the limited commercial market for such technology the federal government can play a useful and constructive role in such development.

Davis Bacon Issues

The Davis Bacon Act requires federal contractors to pay employees a prevailing wage determined by the Department of Labor from a voluntary, craft-specific local area wage survey. The law has already been extended to approximately 60 other federal laws which fund building programs in one way or another. Noting DOL's ongoing concerns about the integrity of Davis Bacon wage survey data, as outlined in a 2004 Inspector General Report, I will resist efforts to expand the applicability of this law. Though some members of the Committee find the law problematic in many respects, including its original intent, at the very least, the wage mandate it requires should be based upon accurate data that cannot be manipulated to achieve business advantages. Moreover, given the growing body of evidence regarding the cost and market effects of the law it should not be extended to any other statutes or laws in the absence of a thorough review and consensus regarding its present efficacy.

Preserving Individual Employee Rights

The right of employees to freely choose whether or not they wish to be represented by a labor organization in a government-supervised private ballot election has been a cornerstone of federal labor policy for nearly six decades. Last year this hallmark of American industrial democracy was attacked and placed in serious jeopardy by legislation that would have deprived workers of the right to vote on this critical workplace issue in a free secret ballot election. Fortunately, this attack on individual employee rights was defeated. However, Congress must continue to act decisively in order to preserve and strengthen these and other safeguards for all American workers. In this regard, it should also be noted that any effort aimed at depriving or limiting workers from obtaining

essential financial information about the labor organizations which represent them is simply not acceptable. Employees who pay union dues are entitled to know how their money is spent, unions are obliged to report this data, and the federal government is required to collect it and make it readily available. I will resist any attempt to eliminate or limit this kind of financial transparency for our nation's workers.

Increasing Unfunded Mandates on Employers

In this Congress a number of bills have been introduced which would greatly increase the cost of employing individuals. In our view, enacting such proposals would exacerbate the current negative economic trend which Congress recently acted so swiftly to reverse. Instead of discouraging businesses from hiring by introducing government-set wage levels, increasing payroll taxes, prohibiting alternative resolution procedures as a method for resolving workplace disputes, increasing employment-related litigation, increasing liability exposure for such litigation, or increasing penalties under current employment statutes such as the WARN Act; we contend that the Committee should be looking for ways to reduce the government-imposed red tape and increased costs that inhibit hiring. As any of the various proposals which would increase the cost of employing individuals come before the Committee, or are brought to the Floor, the full cost of the proposal for employers, especially small employers, should be fully understood by the Congress and our constituents. We recognize the important role the Budget Committee and the Congressional Budget Office play in providing such transparency.

BUDGET PROCESS REFORM

In recent Budget Committee hearings, we have heard from the General Accounting Office and from the Congressional Budget Office about federal expenditures in health care and other areas spiraling out of control. We need to take this seriously and start to make the procedural and process changes that will help us in this effort. One of the many procedural reforms that I believe would promote fiscal responsibility and safeguard the nation's economic health would be to begin biennial budgeting.

In his budget for fiscal year 2009, the President once again proposed common-sense budget reforms to restrain spending. He has several recommendations, including earmark reforms and the adoption of biennial budgeting for all Executive Branch agencies in order to give Congress more time for program review, and to allow federal agency executives more time to actually manage their programs and engage in longer-term planning. While we may negotiate on the details, I believe we should implement these overall recommendations. I look forward to working with my colleagues on the HELP and Budget committees to advance this policy.

Thank you for your consideration. If you have questions and are unable to reach me, please have your staff contact Ilyse Schuman at 4-6770.

Sincerely,

A handwritten signature in black ink, reading "Michael B. Enzi". The signature is stylized, with the first name "Michael" written in a cursive-like script, followed by "B." and "Enzi".

Michael B. Enzi
United States Senator

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United States Senate

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

February 22, 2008

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

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

Dear Chairman Conrad and Ranking Member Gregg:

Thank you for affording me the opportunity to provide my views and estimates regarding the President's Fiscal Year 2009 budget as it affects matters within the purview of the Homeland Security and Governmental Affairs Committee (HSGAC). As you prepare the budget resolution for Fiscal Year 2009 (FY 2009), I hope the following recommendations and comments will assist you in preparing a budget plan for the federal government.

The President's FY 2009 budget request for the Department of Homeland Security (DHS) includes some useful increases for targeted programs. Nevertheless, the proposed budget once again shortchanges too many urgent homeland security needs. I am particularly troubled by the aggressive cuts to core federal grant programs that states, municipalities, and tribes rely on to keep their citizens safe.

The budget request for DHS is \$50.5 billion, and the requested gross discretionary funding is \$40.75 billion (\$37.6 billion in appropriated funds, and \$3.1 billion in fees). The Administration has called this nearly a 7% increase for DHS, but this statistic is misleading since it ignores a significant amount of FY 2008 funding that was designated as "emergency" funding but which in fact goes for ongoing programs and expenses that will continue next year. If that funding is included, the proposed budget in fact represents a 4.5% decrease in overall DHS funding. In the end, the proposed DHS budget is at best a steady state budget with few major new initiatives and generally modest cuts or increases to specific programs – with the exception of homeland security grants, which are cut dramatically. Furthermore, as in past years, the Administration assumes that significant funding for the Transportation Security Administration will come from an increase in the passenger fee; Congress has repeatedly rejected this fee

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proposal, meaning that TSA will likely face a significant funding shortfall unless other revenue is provided.

To adequately meet the challenges of securing our homeland, we will need to invest more. I particularly regret that the Administration did not seek full funding for many of the efforts authorized by the recent Implementing Recommendations of the 9/11 Commission Act of 2007 ("9/11 Commission Recommendations Act," P.L. 110-53) and the Post-Katrina Emergency Management Reform Act ("Post-Katrina Act," P.L. 109-295). Both pieces of legislation were the result of extensive deliberation and seek to make sorely needed investments to improve our security and preparedness.

This letter highlights some of those shortfalls in the President's budget and calls for additional funds. It also indicates areas where I am in agreement with the Administration's priorities, and I would like to mention one in particular: funding for a DHS headquarters. We cannot expect DHS to succeed at its many challenging missions without the fundamental management tools that are taken for granted by much smaller organizations. A unified headquarters, which would bring together many of the Department's components into a single facility and allow employees to work more efficiently and interactively, is such a fundamental tool. We should expedite efforts to get this project off the ground.

Homeland Security and First Responder Grants

The Administration has once again proposed sharp decreases in homeland security grants to state and local governments and first responders in FY 2009. If the President's budget were enacted, it would mean a 48% drop in overall grant funding – seriously limiting the ability of state and local officials to prevent, prepare for, and respond to acts of terrorism and natural disasters and to protect their communities the way they should be protected. Unfortunately, we've seen these types of cuts before – in fact, this is the fifth straight year that the Administration has proposed significant reductions in these programs.

SHSGP and UASI: Most dramatically, the FY 2009 budget request cuts the State Homeland Security Grant Program (SHSGP) from \$950 million to \$200 million – a whopping 79% reduction from FY 2008. SHSGP grants are states' basic preparedness grants and the failure to fund them would significantly undermine national preparedness efforts. Funding for the Urban Area Security Initiative (UASI), which targets grants to the nation's highest-risk cities, would, under the President's budget, largely hold steady at \$825 million (up from \$820 appropriated in FY 2008). Both the SHSGP and UASI programs were permanently authorized in the 9/11 Commission Recommendations Act, as part of comprehensive provisions that for the first time set forth statutory requirements for the grants' allocation and use. These authorization provisions were the result of extensive debate and negotiation among many interested parties, so it is particularly unfortunate that the Administration chose to ignore these recommendations. The

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Act authorized appropriations of \$950 million for each grant program in FY 2009, and I urge that these programs be funded at the full authorized levels.

Interoperability: I am also extremely disappointed that the President's budget request included no funding for the Interoperable Emergency Communications Grant Program (IECGP) that was also authorized in the 9/11 Commission Recommendations Act. State homeland security directors recently identified the development of interoperable communications as their top priority, and it is a complex problem that will be resolved only through strong federal leadership, coordination at all levels of government, and a substantial commitment of dedicated funding. I recommend that the IECGP be funded at the level authorized by Congress for FY 2009, \$400 million.

Firefighters: The President's request further takes aim at programs that provide assistance to our nation's firefighters. Assistance to Firefighter Grants would receive only \$300 million and SAFER grants would be eliminated; combined this represents a reduction in support for firefighters of \$450 million, or 60%, from the FY 2008 level of \$750 million. I urge that funding for both these programs be restored and that they be funded at least at the level they were in FY 2008 – \$560 million and \$190 million for Assistance to Firefighter and SAFER grants respectively.

Emergency Management: The Administration's budget also proposes unwarranted reductions in funding for Emergency Management Performance Grants (EMPG), requesting \$200 million for this program, a 33% reduction from FY08. This important program has traditionally focused on essential planning efforts and helps build the capabilities for states and localities to be prepared for all hazards – whether a natural disaster or an act of terrorism. The 9/11 Commission Recommendations Act authorized appropriations for EMPG of \$535 million in FY 2009, and I recommend that the program be funded at that level.

Transportation Security Grants: The President's budget requests \$405 million for port, rail and transit, bus and truck security grants. This is roughly what the Administration requested in FY 2008, but substantially less than Congress appropriated for these programs last year. Congress recognized that our ports and transit systems, in particular, still have substantial vulnerabilities that we can not afford to let go unaddressed. Congress has identified hundreds of millions of dollars worth of needed security improvements; the SAFE Port Act of 2006 authorized \$400 million for port security grants in FY 2009, while the 9/11 Commission Recommendations Act authorized \$750 million for transit security grants, \$483 million for rail security, and \$27 million for bus and truck security in FY 2009. While I recognize that it may be impossible to fully fund each of these authorizations, I strongly recommend that the port and transit (which includes rail) security grant programs each receive at least \$400 million for FY 2009, the same level Congress appropriated for FY 2008.

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Medical Response: Yet another preparedness program targeted by the Administration is the Metropolitan Medical Response System (MMRS) – marking the fourth straight year the Administration has proposed to eliminate this valuable program. From its inception following the Oklahoma City bombing, the MMRS has ensured that local planning, exercises and execution of disaster response plans among our fire, police, and paramedic first responders is integrated with that of our medical personnel, our clinics and our hospitals. Each of the 124 MMRS jurisdictions serves to coordinate local and state pandemic flu plans, maintains a stockpile of chemical and biological agent antidotes allowing local first responders to operate under otherwise impossibly dangerous conditions, and is charged with the responsibility of developing plans for the rapid movement of patients when disaster occurs. Yet funding for this program has failed to keep up: in fact MMRS funding in FY 2008 (\$41 million) was lower than in FY 2004 (\$50 million). The Post-Katrina Act authorized MMRS funding of \$63 million dollars for FY 2008 and I believe this is an appropriate level of funding in FY 2009 as well.

Infrastructure and REAL ID: The budget requests a combined \$110 million for REAL ID grants and the Buffer Zone Protection Program (BZPP) under a new account called the National Security and Terrorism Prevention Grant Program. This represents an overall increase in funding, as both the BZPP and REAL ID grants were funded at \$50 million respectively in FY 2008. However, I am concerned that the combination of these two entirely unrelated programs into one competitive grant may lead to a misallocation of funding. The Department has not been able to provide an explanation of how applications will be evaluated or prioritized under this new program, which creates the possibility that either BZPP or REAL ID grants will receive less funding in FY09 than last year, or even no funding at all. I recommend that these two grant programs remain separate and distinct.

Border Security

As in recent years, much of the proposed DHS budget is focused on border security. While I generally support these proposals, it is important that these investments be properly planned, implemented and overseen.

Western Hemisphere Travel Initiative: I support the Administration's request for additional funding to implement the Western Hemisphere Travel Initiative (WHTI). Even before the September 11th attacks, GAO had identified poor security controls at our land border crossings as a dangerous vulnerability. Unfortunately, almost four years after the 9/11 Commission recommended and Congress mandated strict document requirements for land border crossers, the date for WHTI implementation continues to recede. This has largely been the fault of Congress, which recently prohibited WHTI implementation before June 2009 even if DHS is ready to move forward. Despite this most recent setback I am hopeful that DHS will receive the necessary funds, so that the Department will be ready to make the borders safer when Congress permits it.

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SBIInet: While I support the use of technology to help protect the border, I recommend that Congress proceed with caution in approving large sums for the SBIInet component of DHS' border security strategy, which is designed to create greater situational awareness through a system of sensors and surveillance technology. When the Administration first sought funding for SBIInet two years ago, I warned of an unrealistic timetable and questioned the vagueness of the Department's plans. To date, the Department's prime contractor on SBIInet has not resolved the outstanding problems that have prevented the full implementation of the prototype for SBIInet, a project which is known as P28. Even if the contractor resolves these remaining problems and P28 is accepted by the Department, CBP officials have made clear that the P28 model will require significant software and hardware modifications for use along other stretches of the border. The Department needs to clearly define goals and expectations for future phases of SBIInet and must provide assurance to Congress that investment in the program will produce a system that fully meets CBP's needs.

Border Patrol and CBP officers: The size of the Border Patrol has doubled since 2001, and this year's budget proposal seeks hiring of an additional 2,200 Border Patrol Officers. At the same time, Customs and Border Protection is severely understaffed at ports of entry, and the budget only requests enough funding to hire 212 additional CBP officers for these posts. GAO reports have documented the harmful results of the staffing shortages at ports of entry, yet DHS' budget documents show that the proposed new officers would eliminate only one fourth of the current officer deficit at the land borders. Increasing the contingents of CBP officers at ports of entry would help prevent terrorists from entering the country, smuggling of drugs and contraband, and illegal immigration in the same way that increasing Border Patrol Officers does. I support increased funds beyond the President's request for hiring of CBP officers.

TECS modernization: I also strongly support funding to modernize the Treasury Enforcement Communication System (TECS). TECS is the primary screening system to process travelers entering the U.S. at ports of entry, and it is essential to prevent the entry into the U.S. of terrorists, criminals, and those who pose a risk to public health. Yet the system was developed in 1987 and uses decades-old software. Our Committee has been conducting an investigation into the case of the Mexican national with drug resistant TB who repeatedly crossed the border last year. It appears from our investigation that flaws in the TECS system may well have been a factor in our failure to detect the individual. According to its current schedule CBP would not complete TECS modernization until 2013. I support allocating more than the \$25 million CBP has requested for TECS modernization if additional funds would speed the completion of this project.

Border Fencing: I support the construction of border fencing in areas where it will effectively impede illegal migration and smuggling into the United States. However, the Department now seems to envision a more or less continuous line of fencing and barriers from

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the Pacific Ocean to the Texas-New Mexico state line. This includes highly populated urban areas, but also vast stretches of border that consist of remote desert devoid of roads or population centers where fencing may not be the most effective strategy. The recent omnibus appropriations legislation requires an expenditure plan justifying fencing costs. In reviewing the Department's plans, Congress must consider the relative effectiveness of fencing against other programs designed to keep terrorists, drug smugglers, criminals, and illegal immigrants from entering the United States.

Preventing terrorist infiltration into the United States: In comparison to substantial expenditures to fortify the Southwestern border, proposed spending on programs specifically targeting terrorist travel remain disappointingly modest. Available evidence suggests that terrorists may well seek entry into this country by securing visas (as did the 9/11 hijackers) or by traveling with a passport from a visa-waiver program country (as did Zacarias Moussaoui and Richard Colvin Reid). Nevertheless, relatively small amounts are proposed for enhancements to our worldwide screening systems, the Automated Targeting System, CBP's intelligence program, and, as already discussed, TECS modernization. The 9/11 Commission Recommendations Act we enacted last year required expansion of the Human Smuggling and Trafficking Center and authorized increased funding. It also required the creation of a terrorist travel program, a mandate the Department appears to be slighting or ignoring. Funding for all of these programs and offices should be increased substantially.

FEMA

Following Hurricane Katrina, the Homeland Security and Governmental Affairs Committee conducted an extensive investigation of the botched response and of FEMA. The investigation found that FEMA was woefully unprepared to deal with a national catastrophe on the magnitude of Hurricane Katrina, lacking essential capabilities and resources. This Committee subsequently made significant recommendations for improvements to FEMA, and Congress implemented many of those recommendations in the Post-Katrina Act. The Act creates a new FEMA - a stronger, more robust entity that would, for the first time, be equipped to prepare for and respond to a true catastrophe. The legislation also put preparedness functions back into FEMA; strengthened FEMA's regional offices and emergency response teams; and strengthened and enhanced emergency planning and preparedness responsibilities.

Building the New FEMA: FEMA last year received a much needed increase in resources that was an essential first step in the long process of building the new FEMA and implementing other provisions of the Post-Katrina Act. However, additional substantial increases are still necessary. While the Administration's budget request includes some increases for building the new FEMA (initiatives the budget request labels as "FEMA Vision Phase II"), such increases are not as large as they may appear and are actually less than the increase included in last year's budget. For example, of the \$213.5 million increase requested this year for FEMA

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transformation, \$149 million is designated to provide permanent, rather than ad hoc, funding for certain full-time employees currently paid from the Disaster Relief Fund account. While this is a useful step to make FEMA more stable, it does not represent a true increase in manpower and resources.

The Administration's requested increase is not sufficient to fulfill the statutory requirements in the Post-Katrina Act and other gaps that have recently emerged. For example, the Post-Katrina Act requires FEMA to establish strike teams - a special type of highly skilled and trained interagency emergency response team - in each of FEMA's 10 regions. This budget, however only contains enough funding to build one such strike team - for a total of 4 regional teams by the end of FY 2009. FEMA estimates that \$4 million is necessary to fund each team. Additionally, FEMA relies heavily on the American Red Cross for its mass care mission in response to disasters. However, the American Red Cross has recently announced it has a substantial deficit and will be making big staff and infrastructure cuts as part of its restructuring plan, undoubtedly hampering its disaster response capabilities. Given FEMA's reliance on the American Red Cross in large part for mass care in the event of a disaster, I'm concerned that FEMA will also need additional resources to fill this gap.

Additionally, FEMA officials have acknowledged that the Administration's budget request does not include any funding for the private sector preparedness certification program required in section 901 of the recently passed in the 9/11 Commission Recommendations Act. This program seeks to create a structure and incentive for private sector entities to improve their own preparedness for natural or manmade disasters. Without any funding, I am concerned that this important program will not be properly implemented, leaving us more vulnerable to terrorist attacks and other disasters.

In order to continue to build FEMA into an entity that can respond to a catastrophe, to implement the other requirements of the Post-Katrina Act, to fill gaps created by the American Red Cross cuts, and to provide funding for implementation of the private sector preparedness program, I ask that you increase the Administration's request for FEMA Vision Phase II and other such relevant aspects of FEMA's budget by at least \$35 million, for a total increase of \$100 million (in addition to the \$149 million to hire the existing workers out of permanent rather than emergency funds). This will provide for an increase equivalent to last year's increase and be another essential step forward in the long process of building the new FEMA.

Pre-Disaster Mitigation Fund: Additionally, I'm concerned about the Administration proposed cut of 34% to the Pre- Disaster Mitigation Fund. Mitigation has proven itself a cost-effective measure - a recent study by the Multi-Hazard Mitigation Council found that every dollar FEMA spends on mitigation provides the nation \$4 in future benefits. The Administration's proposed cut to this program is short-sighted and I urge you to add an additional \$50 million to the Administration's request for the Pre-Disaster Mitigation Fund.

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Emergency Food and Shelter: Finally, I'm disheartened that the Administration's request proposes to cut funding for the Emergency Food and Shelter Program by 35%. This important and highly effective program provides emergency assistance to supplement community efforts to meet food, shelter, and other related needs of homeless and hungry persons to all fifty states. Funding for this program has lagged behind inflation and I believe funding for this program should be increased, not cut.

U.S. Fire Administration: The administration's request proposes that funding for the U.S. Fire Administration (USFA) be reduced by \$2.4 million. FEMA has indicated that this reduction will be spread across USFA, and no determination has been made as to which programs will be cut. I am concerned that this reduction could lead to dangerous cuts to essential first responder programs such as training at the national Fire Academy or the National Emergency Training Center, and urge it be rejected.

Improvised Explosive Devices

The President's budget requests a disappointing \$8 million for the Office for Bombing Prevention (OBP) within the Office of Infrastructure Protection. The OBP is responsible for coordinating the Department's efforts to prevent, deter, detect, and respond to improvised explosive devices (IEDs) in the United States. Last year, this office received \$10 million after Senator Collins and I offered an amendment to the FY 2008 Homeland Security Appropriations Act to increase the funding from the President's requested level of \$6 million – however Administration documents suggest that considerably more is needed for the office to fulfill its mission. Last year the Homeland Security and Governmental Affairs Committee reported the National Bombing Prevention Act (S. 2292) authorizing \$25 million annually for the OBP and I recommend that the budget resolution reflect this necessary level of funding.

The budget also requests \$49 million for counter-IED research and development in the Science and Technology Directorate, including an increase of \$34 million to address priorities outlined in the HSPD-19 National Strategy for Combating Terrorist Use of Explosives in the United States. This funding is critical to countering suicide bomber and vehicle-borne improvised explosive device (VBIED) threats. I strongly recommend that the Committee grant the President's request in this area.

Cyber Security

I support the proposed increase for the National Cyber Security Division to bring its overall budget to \$293.5 million. This increase, part of the much needed new government-wide approach to cyber security known as the "Cyber Initiative," is long overdue. Much of that program is classified and cannot be addressed in this letter. However, these particular funds are

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part of the unclassified component of the program and are necessary to help the government detect and respond to cyber incidents. It is now a matter of public record that there has been foreign intrusion into government networks and we need to take substantial steps to reduce our vulnerabilities in this area, both with government and industry. This increase represents an important first step. Specifically, this new funding for FY09 primarily will help DHS deploy the Einstein Program across all Federal agencies. This program, which is currently used by 12 agencies and will expand to the entire federal government, will help the Department monitor government networks and help defend these critical networks against attacks.

Domestic Nuclear Detection Office

Given the importance to our nation's safety of hardening our domestic defenses against a catastrophic nuclear terrorist attack, I strongly support the President's request to increase funding for the Domestic Nuclear Detection Office (DNDO) to \$563 million in FY 2009. At the same time, I continue to believe that the success of DNDO over the next decade will require sustained and vigorous oversight in the short-term, with particular attention paid to the design of the Global Nuclear Detection Architecture. The President's request includes \$68 million for the acquisition of 87 full-rate production versions of the Advanced Spectroscopic Portal (ASP) monitor. This increase is reasonable on its face. However, the request appears to be based on the assumption that pending reviews will verify that first generation ASP radiation monitors provide a significant improvement in detection performance over the portal monitors currently deployed at domestic ports of entry. It is important that these reviews be completed before Congress permits full-scale production of ASP monitors.

Chemical Site Security

I support the requested \$13 million increase for the Department's chemical site security program, for a total program budget of \$63 million in FY 2009. This is a critical and long overdue effort to enhance security at facilities, some in or near densely populated areas, that make or use hazardous chemicals and could prove inviting targets for terrorists. The program is getting underway and is badly in need of increased resources to ensure adequate inspectors and other capabilities.

Directorate of Science and Technology

I strongly support the President's \$898 million request for the DHS Directorate of Science and Technology (S&T) in FY 2009. While the \$38 million increase is modest, it reflects the progress that Undersecretary Cohen has made in carrying out critical management reforms. In light of this progress, I strongly urge support for two minor increases in funding for S&T that I believe will pay large returns throughout DHS. The FY 2009 budget introduces a nascent effort to transform S&T's testing, evaluation and standards capabilities into a department-wide

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mechanism for ensuring reliable testing and evaluation of applications of advanced technology to challenging homeland security missions. However, the \$28 million request for this activity entails a \$4 million reduction from funding in FY 2008. Given the number of major acquisition programs that have been delayed by technology problems, I recommend that this \$4 million be restored. Secondly, I recommend an additional \$5 million funding for the S&T Borders and Maritime Security Division that I understand will provide critical support to maritime aspects of CBP's Secure Border Initiative Net (SBInet) and the USCG's Command 21 program.

Coast Guard Research and Development

The FY2009 Budget proposes cutting funding for traditional mission R&D for the Coast Guard by \$8 million. Given the Coast Guard R&D Center's historic and unique ability to focus on R&D related to the traditional missions of the Service, as well as the lessons learned from Hurricane Katrina, I believe the Research Center should continue to receive adequate funding for traditional mission R&D. The Coast Guard continues to be asked to do more with less, to protect our ports and waterways from terrorists, and to safeguard our environment. Researching and developing new equipment and procedures to help the Service deal with its expanding mission and the next disaster is crucial, and I support maintaining the Coast Guard's R&D budget at last year's level of \$25 million.

Maritime Interagency Operations Centers

In an effort to improve coordination and information sharing among federal, state and local government agencies and private companies operating at our nation's ports the SAFE Port Act of 2006 authorized \$60 million for fiscal years 2007 through 2012 for the creation of additional maritime interagency operations centers, similar to Project Seahawk located in Charleston, South Carolina. Project Seahawk began in 2003 with funding through the Department of Justice, but is supposed to begin a transition to the Department of Homeland Security. Yet the proposed budget does not include any funding for Project Seahawk, for facilitating its transition to DHS, or for any additional maritime interagency operation centers. I urge you to provide \$50 million for these purposes, the same amount Congress appropriated for the establishment of the first set of additional interagency operation centers in FY 2008.

Quadrennial Homeland Security Review

The Administration requests \$1.65 million in funding to support the Quadrennial Homeland Security Review (QHSR) in FY 2009. DHS is required to conduct the QHSR in FY 2009 pursuant to Sec. 2401 of the 9/11 Commission Recommendations Act, and I strongly support an adequate level of funding for a review in FY 2009 that is comparable in scope, relative to the size of the Department, to the Quadrennial Defense Review. I am concerned, however, that \$1.5 million of the \$1.65 million request is for contractor support. According to

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the DHS congressional justification, the Department intends for contractors to "research, organize, analyze, facilitate workshops, and draft the document." Several of these tasks are inherently-governmental; thus I support contractor funding primarily for administrative and clerical tasks in support of the QHSR.

Intelligence and Analysis

The Administration's specific funding requests for the DHS Office of Intelligence and Analysis are classified within the National Intelligence Program (NIP) budget request, but many of the specific programmatic details of the budget request are unclassified. I support full funding for this program. In particular, I strongly support funding for activities associated with the State and Local Fusion Center program, as established in the most recent 9/11 Commission Act Recommendations Act, and support the requested increase to develop a domestic open source intelligence (OSINT) capability at DHS.

Department-wide Challenges

Homeland Security Department Headquarters: The President's budget for DHS and the General Services Administration includes a combined \$467 million request for the DHS Consolidated Headquarters Project, which would initiate construction of a unified Departmental headquarters at the St. Elizabeth's West Campus. Last year, Congress did not provide any funding for this project because of last minute budget constraints imposed on the FY 2008 Omnibus Appropriations Act, even though both the House and Senate bills provided funding at or close to the President's request.

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

Transition: The Department of Homeland Security will undergo a transition in leadership in FY 2009, following the Presidential election in November. Given the fact that al-Qaeda has previously planned attacks in conjunction with political transitions elsewhere, and the fact that DHS has never previously gone through a full transition in leadership in its short existence, it is imperative that DHS manage this transition effectively, and that Congress provide the resources to support this transition.

The two offices that are leading the transition effort at the Department are the immediate office of the Undersecretary for Management and the Office of the Chief Human Capital Officer.

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These two offices have been funded at levels below those requested by the President in recent years, in large part due to the necessity to find offsets to the Administration's decision every year to slash homeland security grant funding. While I strongly support providing robust funding for homeland security grants, it is critical that we not achieve that goal by cutting funds for management activities associated with implementing the transition.

Another critical office associated with the implementation of the transition will be the DHS Office of Security, which conducts "suitability reviews" for incoming employees. The Office of Security currently has the resources to conduct suitability reviews for normal hiring and attrition patterns, but does not have the resources to manage the likely spike in reviews that will accompany the transition in the first half of 2009. This could delay the on-boarding process for a new leadership team, to the detriment of the overall transition effort. I urge you to consider additional one-time funding, above the President's request, of \$2 million in FY 2009, to provide the Office of Security with additional staffing, on detail from other components of DHS, to mitigate this transition-related risk.

Office of Inspector General: Under the proposed budget, the DHS Office of Inspector General (OIG) would see a 7.5 percent reduction in its budget, from \$108.7 million in FY 2008 to \$101 million in FY 2009. This is particularly troubling because the OIG is already struggling to keep up with its oversight responsibilities, particularly with regard to FEMA activities. Furthermore, the office will have significant new grant audit obligations under the recently passed 9/11 Commission Act. I strongly urge that, at a minimum, the DHS OIG retain its current year funding and would like to see increased funding for this office.

Acquisition Workforce: I strongly support the Department's efforts to strengthen its oversight of procurement activities, including the \$3.1 million requested for expansion of its acquisition intern program, which will bring an infusion of new talent into the Department. Without strengthening the acquisition workforce, we will be unable to resolve the problems of cost overruns, over-reliance on noncompetitive contracts, and poor contract oversight, all of which have been far too prevalent in DHS contracting. The proposed internship program is a good start, however it is also important to increase our permanent workforce in the area of acquisitions and related oversight.

Learning and Development: The Department requests \$5.5 million in new funding for the Office of Human Capital to support the implementation of the DHS Learning and Development Strategy, completed and approved in September 2007. The Department's growing emphasis on professional workforce training is long overdue and much-needed, and I support this increase in funding, as well as continued funding for the Homeland Security Academy and the Leadership Institute.

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Federal Protective Service

The Federal Protective Service (FPS) is responsible for providing security for more than 8000 federal buildings around the country, and the more than 12 million federal employees working in them. It is important that the FPS has sufficient resources, personnel and an effective approach to protect federal employees and members of the public that work in and visit federal facilities from the risk of crime and terrorist attacks.

As it did last year, the Administration's budget proposes to reorganize the FPS, eliminating approximately 25% of the existing uniformed security personnel within the agency from 2006 levels. The FY2008 Appropriations legislation for DHS included a provision which requires the FPS maintain no fewer than 1,200 full-time equivalent staff (FTE's), including at least 900 law enforcement officers. I therefore recommend increasing the FPS' budget by \$30 million so that the FPS may maintain 1200 FTE's, the statutorily required level, rather than the 950 FTE's proposed within the Budget.

Transportation Security Administration Employees

I disagree with the proposal in the Administration's budget to exempt TSA screeners from the government-wide pay increase enacted annually by Congress. The President's proposed budget explains that the Department should not be required to provide every screener an annual pay increase regardless of the screener's performance rating. However, there are plenty of other personnel incentives that TSA managers can apply without withholding the across-the-board pay increase that Congress establishes each year government-wide. Other DHS employees in security, protective, and law enforcement-related organizations at the Department receive the annual government-wide pay increase, and there is no reason to give TSA screeners less. Indeed, considering the importance of TSA's role in detecting threats of terrorism, we have a responsibility to ensure that TSA will recruit and retain, not lose, the screener workforce.

Customs and Border Protection Officers

I also oppose the Administration's proposal to repeal the recently enacted legislation to treat CBP officers as law enforcement officers with respect to retirement benefits, and to rescind the \$50 million provided to begin this program in the end of FY 2008. Further, the Administration has not requested the \$200 million that must be funded under this program in FY 2009. CBP officers carry weapons and make arrests but have not had access to the accelerated retirement options available to other federal employees who have official "law enforcement" status. This provision and the related funding is necessary not only to ensure parity for the CBP officers, but also to aid the Department in recruiting and retaining the best officers since CBP must compete with agencies that offer law enforcement retirement benefits in its hiring.

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I would also like to comment on several budget matters outside the Department of Homeland Security but within the purview of the Homeland Security and Governmental Affairs Committee.

Privacy and Civil Liberties Oversight Board

The 9/11 Commission recognized that as the U.S. government expands its efforts to fight terrorism, it must take care to safeguard bedrock national protections of personal privacy and civil liberties. In 2004, following the Commission's recommendation, Congress created the first Privacy and Civil Liberties Oversight Board within the Executive Office of the President. The Board was tasked with providing advice and oversight on anti-terrorism policies. Unfortunately, the original Board proved neither as robust nor as independent as Congress had envisioned. In 2007, Congress reconstituted the Board as an entity outside the Executive Office of the President, and with enhanced powers. That provision, which passed as part of the 9/11 Commission Act, provided a six month transition period to stand up the new Board and \$5 million for its operation in FY 2008, rising to \$10 million in FY 2011. Unfortunately, the Administration has made no visible steps towards standing up the new Board and requested only \$2 million for its operation in FY 2009. There is currently no functioning Board, since the original Board's authorization lapsed last month at the end of the scheduled transition period. We cannot afford any additional delay in creating this important oversight body. I will continue to call on the Administration to nominate members for the new Board, and urge your support in ensuring robust funding for its operations.

Office of Government Ethics

I recommend an increase in funding for the Office of Government Ethics in order to assist OGE in promoting a strong ethical culture for Executive Branch employees. As OGE prepares for the Presidential transition, we must ensure that employees leaving federal service understand the negotiating rules and post-employment restrictions, and also that those entering federal service lead the new Administration with sound, ethical principles. While the President has requested a small increase for OGE, even the proposed \$13 million would leave the office short-handed. I recommend an additional \$625,000 to bring OGE to its full authorized staffing of 80 FTEs.

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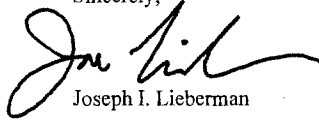
Office of Personnel Management

I am concerned about the Administration's proposal to cut the budget for the Office of Inspector General (OIG) at the Office of Personnel Management (OPM) by \$600,000. If the President's budget were enacted, OIG would be forced to terminate employees, at the same time as its workload is increasing. The OIG plays a critical role in conducting independent investigations for OPM and promoting good government practices, and OIG was assigned responsibility for a special, and very important, investigation of the Office of Special Counsel that is still ongoing. I am concerned that the Administration has attempted to weaken the role of the Inspector General, at the expense of the American people. Therefore, I urge that you restore the funding for OPM's Office of Inspector General.

* * * * *

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

Sincerely,



Joseph I. Lieberman
Chairman

CC: The Honorable Susan Collins

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

February 22, 2008

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

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

Dear Chairman Conrad and Ranking Member Gregg:

I appreciate the opportunity to provide the Committee on the Budget with my views and estimates regarding the President's Fiscal Year (FY) 2009 budget as it affects programs under the jurisdiction of the Committee on Homeland Security and Governmental Affairs. I am submitting this letter pursuant to section 301(d) of the Congressional Budget Act and hope that it will assist the Budget Committee in preparing a FY 2009 budget plan for the Federal government.

Department of Homeland Security

The Department of Homeland Security (DHS or Department) was formed five years ago with the goal of achieving a more efficient and better coordinated national effort to prevent, prepare for, protect against, respond to, and recover from acts of terrorism and natural disasters within the United States. While DHS has made significant progress in securing the homeland, more work is required to achieve the benefits intended by Congress in the Homeland Security Act of 2002 and in many other subsequently enacted laws.

For FY 2009, the President's proposed budget authority for the Department is \$50.5 billion, a 7.4 percent increase over the FY 2008 enacted level, excluding emergency funding. Proposed outlays for the Department are \$44.3 billion, a 4.6 percent increase over the FY 2008 level. The Department's proposed gross discretionary budget is \$40.8 billion. Its net discretionary budget is \$37.6 billion – or \$2.4 billion above the FY 2008 net discretionary budget – when existing fee collections for the Federal Protective Service, aviation security passenger and carrier fees, and other collections are subtracted. The President's proposed budget also reflects important structural and programmatic changes made to the Department by Congress in the Post Katrina Emergency Management Reform Act of 2006 (Katrina Reform Act), the Security and Accountability for Every Port Act of 2006 (SAFE Port Act), and the 2007 homeland security law

(Pub. L. No. 110-53 (August 3, 2007)), as well as those unilaterally made by the Department pursuant to its authority under section 872 of the Homeland Security Act.

Overall, the President's FY 2009 budget request advances the goal of creating a department properly focused on preventing and responding to all-hazards, whether man-made or natural. In particular, I support the dedication of resources to strengthen border security and immigration enforcement, including funding for upgrades to vehicle-lane technology and increased personnel at the nation's top 39 land ports of entry. The additional funding requested by the President to update the severely outdated computer system deployed at the ports of entry is also very worthwhile. Moreover, the increase in funding for the Federal Emergency Management Agency (FEMA) to continue implementing Congress's important reforms in the aftermath of Hurricane Katrina is equally essential. I do, however, have serious concerns about the dramatic decreases in funding for homeland security grants to State, local, and tribal governments and emergency response providers.

Federal Emergency Management Agency

The President's FY 2009 budget requests increased funding for FEMA to perform its core disaster-related functions. These increases will allow FEMA to continue implementation of the important improvements mandated by the Katrina Reform Act. I am alarmed, however, that the budget slashes funding for vital homeland security grant programs by more than \$1.4 billion from the FY 2008 enacted level. Significant funding for these programs must be restored.

Operations, Planning, and Support. The President's FY 2009 budget wisely requests \$957 million for FEMA's operations, planning, and support activities. Not counting transfers from other accounts to consolidate management costs, this represents an increase of \$64.5 million from the FY 2008 enacted level for FEMA's core functions, including improving its information technology systems and continued workforce enhancements. Robust funding of these activities is critical to the success of the Katrina Reform Act. I fully support this request, which will assist FEMA in fulfilling its core disaster response and recovery activities.

State and Local Programs (Grants). Under the Katrina Reform Act, Congress transferred responsibility from the former Directorate of Preparedness to FEMA for managing the Department's State and local homeland security assistance programs. Pursuant to its section 872 authority, the Department established the Grant Programs Directorate (GPD) to administer them. The FY 2009 budget includes \$1.9 billion for State and Local Programs, which represents a substantial decrease from the FY 2008 enacted level of \$3.3 billion. A higher level of funding for these programs is needed to improve every State's level of preparedness.

Specifically, with respect to FEMA's grant programs, I am especially concerned about the \$890 million, or 77.7 percent, reduction in the request for the State Homeland Security Grant Program (SHSGP). SHSGP is the main source of homeland security assistance to State, local, and tribal governments and first responders. Communities use these funds for important first

responder preparation activities, such as emergency planning, risk assessments, mutual aid agreements, equipment, training, and exercises, that build and maintain critical prevention and response capabilities. Unfortunately, the Administration's FY 2009 budget request would provide only \$200 million for SHSGP. This proposed funding level is totally inadequate, and I urge you to fund SHSGP at the \$950 million level authorized in the 2007 homeland security law.

With respect to the Department's critical infrastructure protection grant programs, I am concerned with the President's \$210 million request for the port security grant program. This request would reduce funding for this program by \$190 million, or 46 percent, from the FY 2008 enacted level. Our ports are vital centers of commerce that are vulnerable to potential terrorist attacks. An attack at a U.S. port could cause great loss of life, damage our energy supplies and infrastructure, cripple retailers and manufacturers dependent on incoming inventory, and hamper our ability to move and supply American military forces. For these reasons, I co-authored the SAFE Port Act of 2006, which authorized \$400 million for port security grants annually through 2011. These grants are risk-based and can be used to enhance security at our ports, address identified vulnerabilities, conduct exercises and training, and establish mechanisms for sharing terrorist threat information with Federal, State, and local agencies. I recommend fully funding the \$400 million authorized by the SAFE Port Act.

The President's budget request also reduces funding for the Emergency Management Performance Grant (EMPG) Program by \$100 million from the FY 2008 enacted level of \$300 million. EMPG provides vital funds to support State, local, and tribal emergency management activities, such as all-hazards planning. As Hurricane Katrina evidenced, effective catastrophic, all-hazards planning is absolutely essential to ensuring the safety and well-being of people and critical infrastructure. Although the 2007 homeland security law authorized \$535 million for EMPG for FY 2009, I encourage you to fund EMPG at least at \$478 million, the amount of funding necessary to satisfy certain unmet needs identified by our nation's emergency managers.

I am also particularly concerned about the President's decision to eliminate funding in FY 2009 for the Department's new, stand-alone Interoperable Emergency Communications Grant Program. Established by the 2007 homeland security law, this new all-hazards grant program is dedicated to improving the ability of emergency response providers at all levels of government to communicate with one another, on demand, in real time, during emergencies. Because of the continued failure at all levels of government to establish and maintain interoperable emergency communications, I urge you to fund this program at \$100 million, which is the level of funding that the Senate recently approved during consideration of the FY 2008 DHS Appropriations bill.

The President's FY 2009 budget also proposes to eliminate funding for several smaller, yet critically important, State and local grant programs. Specifically, it zeros out funding for the Metropolitan Medical Response System (MMRS), which received \$41 million in FY 2008, and the Commercial Equipment Direct Assistance Program (CEDAP), which received \$25 million in FY 2008 and \$50 million in FY 2007. Established in 1996 and authorized for the first time in the Katrina Reform Act, MMRS provides funding to assist more than 100 local jurisdictions in

enhancing their ability to respond to mass casualty events. Indeed, as a measure of MMRS's importance and the need to strengthen our nation's medical response capabilities, Congress authorized the program at \$63 million in the Katrina Reform Act. CEDAP transfers badly needed equipment and systems to smaller communities not eligible to participate in the Urban Area Security Initiative, like those in Maine, North Dakota, and New Hampshire. I urge continued funding for these two programs at authorized levels for MMRS and, at a minimum, FY 2008 enacted levels for CEDAP.

Assistance to Firefighters Grant Program. The President's FY 2009 budget requests \$300 million for the Assistance to Firefighters Grant Program (commonly known as the FIRE Act) – nearly a 50 percent reduction from the \$560 million provided in FY 2008. It also eliminates funding entirely for the Staffing for Adequate Fire and Emergency Response (SAFER) Act grant program, which received \$190 million in FY 2008. Recognizing the critical role that America's fire service plays in protecting our communities, Congress created the FIRE Act and SAFER Act grant programs to address deficiencies in training, equipment, and staffing throughout the fire service. Last year, for example, the Department received over \$3 billion in applications from fire departments for FIRE Act and SAFER Act grant funding, yet the Administration's FY 2009 proposed budget request decimates both programs. I oppose the proposed reductions to these important programs and, therefore, request that they receive funding at least equal to last year's enacted levels.

Pre-Disaster Mitigation Fund. The President's FY 2009 budget requests a reduction of approximately \$39 million for the Pre-Disaster Mitigation Fund (PDM), a decrease of approximately 34 percent from the FY 2008 enacted level. PDM is an important source of funds for State, local, and tribal governments that engage in proactive mitigation planning. The Multi-Hazard Mitigation Council (established in 1997 as a voluntary advisory, facilitative body of the National Institute of Building Sciences) released a report in December 2005 stating that mitigation saves society an average of \$4 for every \$1 spent. The PDM program is a competitively awarded program that draws far more applicants than it can fund, allowing FEMA to choose only those projects that are extremely high quality. The Hazard Mitigation Grant Program (HMGP) is not an adequate substitute for PDM for at least two reasons. First, HMGP's structure typically draws out the completion of a mitigation project by several years (compared to PDM). Second, HMGP typically provides a smaller percentage of the funding for a mitigation project, thereby dampening a State's willingness to engage in comprehensive mitigation projects. I support funding PDM at a level at least as high as the FY 2008 enacted level.

National Protection and Programs Directorate

The President's FY 2009 budget requests \$1.2 billion for the National Protection and Programs Directorate (NPPD), an increase of \$100 million after accounting for the combined FY 2008 enacted amounts and emergency funding. The Department established NPPD in early 2007 following the breakup of the former Preparedness Directorate and its partial relocation to FEMA as required by the Katrina Reform Act. NPPD's primary responsibility is to advance the

Department's risk-reduction mission by focusing on critical infrastructure protection, cyber security and emergency communications, Department-wide risk management and analysis, and the US-VISIT program. I support full funding for NPPD and increases in several of the program areas noted below.

Bombing Prevention. The President's FY 2009 budget requests \$9.2 million for the Office of Bombing Prevention (OBP), a decrease of more than \$800,000 from the FY 2008 enacted level. Despite OBP's lead role in implementing the Department's responsibilities under the recently released National Bombing Prevention Strategy, the Administration's request is simply inadequate for OBP to coordinate all Department-wide bombing prevention efforts and maintain its other programs, such as information sharing through TRIPwire, community awareness, and multi-jurisdictional planning. I am deeply concerned about the proposed funding level, especially given that the use of improvised explosive devices (IEDs), is on the rise around the world. Though the White House and the Intelligence Community have identified IEDs as one of the most likely terrorist threats to the homeland, the request for FY 2009 does not devote nearly enough resources to this potentially grave threat. For these and other reasons, Chairman Lieberman and I introduced the "National Bombing Prevention Act of 2007" (S. 2292), which would authorize \$25 million for OBP over the next two years. This authorization level was carefully calculated with the assistance of numerous bombing prevention experts. I urge you to increase the President's budget request for OBP by \$15.8 million in order to ensure that it can fulfill its many obligations.

Protective Security Advisors. The President's FY 2009 budget requests \$26.6 million for the Protective Security Advisor (PSA) Program, an increase of \$1.7 million from the FY 2008 enacted level. The PSA Program places Departmental personnel in communities across the country to assist State and local governments and the private sector in protecting critical infrastructure. Although the PSA Program has been an unqualified success, not all States have PSAs. The proposed increase will allow the Department to hire ten additional PSAs to cover the ten States that currently lack one. I support the Department's expansion of the PSA Program and, thus, support this increased funding level.

Chemical Security. I am pleased that the Administration has recognized the importance of chemical facility security through its request for \$63 million for implementing the Chemical Facility Anti-Terrorism Standards (CFATS) – an increase of \$13 million over the FY 2008 enacted level. As part of the Department of Homeland Security Appropriations Act, 2007, Congress granted the Department – for the first time – broad authority to create and implement a chemical site security program. In April 2007, the Department issued CFATS, which regulates security at high-risk chemical facilities throughout the United States. The implementation of strong, Federal chemical facility security regulations is an important step in preventing, and ensuring an appropriate response to, terrorist attacks and other emergencies that could cause a dangerous release of chemicals into the environment. Chemical security remains a high priority for the Committee, and I strongly support this budget request.

Cybersecurity. I also support the President's budget request for a substantial investment in a new cybersecurity initiative. The threat of intrusion on our government's computers is growing, and we need this investment to ensure the security of information, ranging from personal data concerning the beneficiaries of government programs to cutting edge technology the government is developing to secure the homeland. At the unclassified level, the President's budget reflects that a portion of these funds will be used to shift all Executive branch agencies to a limited number of portals for accessing the Internet – all with a standardized security protocol. OMB has already begun this work and found that between the various departments, their sub-agencies, and private contractors working for Federal entities, the Federal government has approximately 3000 portals for accessing the Internet – each with varying degrees of security and firewalls. OMB eventually wants to draw this down to a far more limited number of points of access to the Internet, each with an increased level of security. In addition to other important roles that DHS will shoulder under the cybersecurity initiative, the President's budget request also will improve and modernize the capabilities of the U.S. Computer Emergency Readiness Team (US-CERT) to respond to cyber-incidents in a more timely fashion. Because the President's cybersecurity initiative reflects a positive step toward securing our government's sensitive information, I support the classified and unclassified budget requests, which represent a much needed investment in cybersecurity.

Office of Emergency Communications. The President's FY 2009 budget requests \$38.3 million for the Office of Emergency Communications (OEC), which Congress created in the Katrina Reform Act. OEC supports and promotes the deployment of sustainable and interoperable emergency communications systems by, among other things, providing technical assistance to State, regional, local, and tribal governments, developing guidance for the Department's emergency communications grant programs, completing a strategic assessment of existing and emerging interoperable emergency communications capabilities, and developing a national plan to address the challenges and vulnerabilities identified by that strategic assessment. OEC is also responsible for coordinating the Department's efforts to establish the Integrated Wireless Network (IWN), which will, when completed, provide voice, data, and multimedia communications services for Federal law enforcement personnel at DHS and the Departments of Justice and Treasury. The President's proposal would fund 33 employees to handle all of the policy, analysis, and multi-jurisdiction interoperable communications coordination functions of the OEC and would increase OEC's funding by \$2.6 million over the FY 2008 enacted level. I support the increased funding reflected in the President's budget for the critical efforts of OEC.

United States Customs and Border Protection

The President's FY 2009 budget requests \$10.9 billion for Customs and Border Protection (CBP), an increase of \$1.66 billion, or 17.9 percent, over the FY 2008 enacted level, excluding emergency appropriations. This is an important increase for CBP, which is the Federal agency responsible for securing our borders and ports and preventing the admission of dangerous people and goods.

To help secure our border between the ports of entry, the budget requests \$442.4 million to hire, train, and equip 2,200 new Border Patrol agents, as well as 441 mission support personnel, with an objective to have a force of approximately 20,000 agents by the end of calendar year 2009. It also provides an additional \$149.5 million to construct new facilities and expand existing sites to accommodate more staff. These personnel increases are vital, and so is ensuring that at least 20 percent of these Border Patrol agents are assigned to the northern border, as required by the Intelligence Reform and Terrorism Prevention Act of 2004.

At the ports of entry, the President's FY 2009 budget requests \$97 million to support the completion of infrastructure and technology improvements at the top 39 land ports of entry. Covering 95 percent of the land border arrivals, these improvements will facilitate the flow of travelers and trade. In addition, the budget seeks a \$35 million increase in funding to hire more CBP officers at the land ports of entry. These officers would reduce the deficit in the number of officers identified in CBP's staffing model. Finally, the budget requests \$25 million to continue the modernization of the Traveler Enforcement Communications System, which CBP officers use to screen travelers at the border. This project is necessary to ensure that the officers have the best information available to them to keep those who seek to do us harm out of the country. I support these increased funding levels, which will enable CBP to expand control of our borders.

Office of Intelligence and Analysis

The Office of Intelligence and Analysis (I&A) is charged with a unique intelligence mission – to provide homeland security intelligence analysis and warning to State, local, and tribal governments and the private sector, to serve as a full partner in the intelligence community, and to coordinate important homeland security intelligence functions across the Federal government. I&A is also charged with the rapid dissemination of homeland security intelligence products to other components of the Department, our State and local partners, and the private sector. Because the Department needs the resources to ensure that these important homeland security intelligence missions succeed, I support an additional \$20 million in funding over the President's budget request. These funds would be used for State and local outreach programs, information sharing initiatives across the Department and the Federal government, training for intelligence analysts, and implementation of additional responsibilities assigned to I&A in the 2007 homeland security law.

Science and Technology Directorate

The President's FY 2009 budget requests \$868.8 million for the DHS Science and Technology (S&T) Directorate, an increase of \$38.7 million over the FY 2008 enacted level. The S&T Directorate works directly with our nation's universities, research laboratories, and private sector companies to develop state-of-the-art technologies to protect our citizens and critical infrastructure from homeland security threats. Research already funded by the S&T Directorate is producing revolutionary advances in critical technologies relating to the full range of the Department's homeland security responsibilities. Among these are technologies designed to protect the public from possible chemical and biological attacks, create greater security for the

nation's cyber infrastructure, and detect and lessen the impact of IEDs and other terrorist explosives. Most promising is research and development into advanced composite materials. These materials can be employed to ensure the integrity of cargo shipments into our nation's ports, as well as to improve airline security through the use of air cargo composite containers. The S&T Directorate is now diligently engaged in ongoing efforts to prototype, develop, and deploy these technologies in defense of the homeland. For these efforts to be successful, it is essential that funding for the S&T Directorate is maintained and, thus, I urge you to support the President's request.

Departmental Management and Operations

Office of the Inspector General. The President's proposed budget for the DHS Office of Inspector General (OIG) is \$101 million, which is a reduction of \$7.7 million from the FY 2008 enacted level. This reduction results from the absence of Disaster Relief Funds that were transferred to the IG to use specifically for oversight of post-Katrina disaster assistance. The IG's mission to root out waste, fraud and abuse is especially important in light of the contracting problems our Committee identified following Hurricanes Katrina and Rita. Full funding for the OIG is critical to address these challenges and others that the Department faces. Without additional funding at the 2008 enacted level, the IG will not have the ability to continue oversight of FEMA and other disaster-related activities, and thus, I support an additional \$7.7 million in funding to support this mission.

Headquarters Consolidation Program. The President's FY 2009 budget requests \$120 million for the Department to fund construction costs for the consolidation of its headquarters at the St. Elizabeth's West Campus in Washington, D.C. Unfortunately, Congress provided no funding for this program in FY 2008. The Department's current facilities at the Nebraska Avenue Complex fail to accommodate the scope, size, and importance of its responsibilities. The Department's mission to head our unified Federal effort to secure our nation requires an integrated approach involving a number of agencies and thousands of Federal employees. At this point, the Department's components are housed in more than 70 different buildings throughout the National Capital Region. This diffusion inherently disrupts the cohesion of the Department's components and continues to be a barrier to its success. To carry out its important mission, the Department must achieve maximum interoperability. Thus, I ask you to fund the headquarters consolidation program at the requested level.

United States Coast Guard

Coast Guard Polar Icebreaking Fleet. The FY 2009 budget request sustains current protocols whereby funding for the operation and maintenance of the Coast Guard's Polar Icebreaking Fleet is administered from the National Science Foundation (NSF). Under this arrangement, the NSF is fiscally responsible for missions outside its core mission and the Coast Guard is operating icebreakers for which it does not have full budget and management control. Routine icebreaker maintenance is left unfunded and has resulted in the layup of one of three

polar icebreakers. In addition, appropriate funding of the Coast Guard's non-science icebreaker missions is not addressed. Two years ago, the National Academy of Sciences (NAS) released its report on the Coast Guard polar icebreaking mission. In this report, the NAS recommended that the Coast Guard be provided a sufficient operations and maintenance budget to support an increased, regular, and influential presence in the Arctic and that other agencies should reimburse incremental costs associated with directed mission tasking. The current arrangement of transferring funds between two agencies continues to be an unnecessary bureaucratic hurdle. The U.S. Coast Guard must maintain the resources and capabilities needed to protect U.S. interests in the polar regions, especially given the recent international increase in polar activity. I believe this funding should be returned to the Coast Guard's budget. I also support appropriating \$57 million to the Coast Guard to allow the service to reactivate POLAR STAR from its layup status. This amount would return POLAR STAR to service for a period of approximately seven years. In addition, an appropriate level of funding should be provided to the Coast Guard to begin the planning necessary to increase the Polar Icebreaking Fleet from three full-time vessels to five.

Establishment of Interagency Command Centers. Section 108 of the SAFE Port Act of 2006 required the establishment of interagency operational centers for port security at all high-priority ports no later than October 13, 2007. These operational centers will enhance information sharing and facilitate operational coordination and incident management and response during a security incident in the maritime domain. Last year, the Committee heard testimony from officials associated with the Seahawk interagency operations center in Charleston, South Carolina. The interagency cooperation that exists at Operation Seahawk supports continued expansion and funding for additional centers at other high-priority ports. The FY 2009 budget request provides no funding to the Coast Guard to continue this vital program even though the SAFE Port Act of 2006 authorized \$60 million for each fiscal year from 2007 through 2012. I urge you to fund the Coast Guard's operational centers at the authorized level of \$60 million.

Coast Guard Response Boat - Medium (RB-M) Construction. The 44-foot RB-M is designed to replace the Coast Guard's aging 41-foot Utility Boat (UTB) fleet with assets that are better able to meet the Coast Guard's multi-mission operational requirements. The RB-M is significantly more capable than the older assets it will replace, particularly in its ability to carry out the Coast Guard's Ports, Waterways, and Coastal Security mission. Like the 41-foot UTB fleet that it will replace, the RB-M fleet will become the workhorse of the Coast Guard's small boat fleet and will serve at Coast Guard Stations throughout the United States. The FY 2009 budget request seeks funding for only 14 RB-Ms. I strongly support increased funding so that the full-rate production of approximately 30 boats per year can be achieved.

Coast Guard Deepwater Program Maritime Patrol Aircraft. The Coast Guard's Maritime Patrol Aircraft (MPA) program will replace the agency's fleet of 20 aging Falcon jet aircraft. Their increased range, extended surveillance capability, and greater mission flexibility will better support all Coast Guard mission areas. Thirty-six MPAs are planned. Three MPA aircraft have already been delivered to the Coast Guard and are undergoing testing with the expectation that they will be operational this year. Five additional MPAs are under contract, and four have been funded in the FY 2008 budget. The Administration has requested funding for only two MPAs in

FY 2009. I believe that the Administration's request is inadequate and, therefore, urge additional funding to allow a total of four MPAs to be placed under contract in FY 2009.

Additional Marine Safety Personnel. The FY 2009 budget requests an increase of 372 active duty positions. Of these, 276 would be placed within the Marine Safety program to address the growth in maritime commerce, particularly increases in Liquefied Natural Gas ships and facilities, towing vessel examinations, ballast water management oversight, and the DHS regulatory program. This initiative will enhance the Coast Guard's ability to maintain the safety, security, and efficiency of our marine transportation system, and I support full funding for these additional billets.

Federal Employee Pay

The budget proposes an average increase in Federal civilian employee pay of 2.9 percent, while proposing an average increase of 3.4 percent for uniformed services personnel. I commend the President's recommendation for a fair pay increase for our military personnel. It is, however, my strong view that Federal civilian employees should be equally recognized for their efforts. For 20 out of the last 22 years, Congress has enacted pay parity for employees in both the Federal civilian and military sectors. Indeed, Congress reaffirmed its commitment to pay parity by including equal pay adjustments for both civilian and uniformed services personnel in FY 2008. Providing equitable pay raises for Federal employees is not just an issue of fairness; it is critical to the recruitment and retention of talented individuals to public service and, therefore, to the successful administration of important Federal programs. I will continue to support equal adjustments in compensation for members of the uniformed services and for Federal civilian employees. I urge you to provide for pay parity in the budget for FY 2009.

Office of Personnel Management

I fully support the funding request for the Office of Personnel Management (OPM). The \$228 million in discretionary funding in the President's budget will assist OPM in leading the President's Management Agenda for Expanding Electronic Government (e-Gov). The request will also support OPM's efforts to complete the transition to new technology supporting the Retirement Systems Modernization (RSM) program, to procure and begin implementation of a new financial system, to undertake new human capital initiatives, and to maintain the Merit System Accountability (Compliance) Program. The budget also includes funding for integral programs such as the Human Resources Line of Business (HR LOB) and Enterprise Human Resources Integration (EHRI). I fully support these programs and initiatives and the President's budget request for OPM.

General Services Administration

The President's FY 2009 budget requests \$346,639,000 for the General Services Administration (GSA) to fund design and construction costs for the consolidation of DHS headquarters at the St. Elizabeth's West Campus in Washington, D.C. Unfortunately, Congress provided no funding for the DHS headquarters consolidation project in FY 2008. GSA and the Department have been working together to plan for the Department's consolidation, which will enable the Department to better fulfill its critical mission. The GSA needs funding to move forward with the design and construction phases of the project; therefore, I ask you to fund the headquarters consolidation project at the requested level.

U. S. Census Bureau

I have serious concerns about the Census Bureau's budget justification, based on the significant uncertainties relating to the 2010 Census. The budget justification's discussion of the difficulties with the Field Data Collection Automation (FDCA) contract raises a number of issues: (1) that a technology so critical to the process remains in doubt so near its time of need; (2) that the warnings of possible technical and developmental challenges were not fully mitigated long ago; (3) that it is not clear that even increased funding at this point would cure the defects in time to successfully complete the decennial census; and (4) that neither the budget nor the justification appears to make any provision for additional funds if the FDCA project fails and a reversion to manual, paper-based collection is necessary. It is my understanding that the Census Bureau is currently in negotiations to reprogram the FDCA contract, which will likely require a revision of the President's request. I encourage the Committee to consider the need for additional funds for this constitutionally mandated requirement when preparing its budget resolution.

Postal Regulatory Commission

The President's FY 2009 budget request includes \$14.043 million for the Postal Regulatory Commission (the Commission). The Commission is in the process of implementing multiple directives required by the new Postal Accountability and Enhancement Act. As one of the Senate authors of the Act, I support the President's request. It is important that the Commission have the resources necessary to carry out the responsibilities set forth in the Act.

As required by statute, the President's budget transmits unchanged the Commission's request to the Office of Management and Budget (39 U.S.C. 2009a). Funding for the Commission comes not from Federal funds, but from revenues credited to the Postal Service Fund from postal service operations. This Fund was established by the Postal Reorganization Act of 1970, which funds the Postal Service and the Postal Rate Commission, and now the Postal Regulatory Commission. Revenue of the Postal Service Fund comes from postal ratepayers, not taxpayers.

The Postal Accountability and Enhancement Act ensures further budgetary independence

for the Commission by instructing that Congress provide the Commission's annual budget from the Fund. FY 2009 is the first year for this procedure. Prior to enactment of the new law, the Commission submitted its annual funding requests directly to the Governors of the Postal Service, who in turn, directed the Postal Service to fund the Commission's budget from the Postal Service Fund. The Commission's funding should remain outside the budget allocation process.

Privacy and Civil Liberties Oversight Board

As one of the architects of the original Privacy and Civil Liberties Oversight Board (Board), I continue to strongly support the important mission of this body. In the 2007 homeland security law, Congress dissolves the original Board and established a new, more independent Board outside the Executive Office of the President. The President's budget provides \$2 million for the new Board's operations – the same as was provided in FY 2008. This funding level recognizes neither the costs of standing up a new Board in the coming year nor the Board's substantial responsibilities in overseeing privacy and civil liberties issues raised by policies that provide for our national security. I support funding the Board at the \$6.65 million level authorized in the 2007 homeland security law, as this will provide the funds necessary to stand up the new Board and fund its operations.

National Archives and Records Administration

As was the case last year, the President's FY 2009 budget request for the National Archives and Records Administration (NARA) proposes a modest, overall increase in funding, but again proposes to eliminate funding for the grant program administered by the National Historical Publications and Records Commission (NHPRC). The NHPRC program supports archives and records preservation efforts by State and local governments and is authorized at a level of \$10 million per year through FY 2009 pursuant to the National Archives and Records Administration Efficiency Act of 2004. The grant program is structured to maximize the effect of Federal funds by awarding grants competitively and imposing a cost-sharing requirement on grant recipients. Although the President did not request funding for the program in FY 2007 or FY 2008, Congress appropriated \$7.5 million for it in both years. I ask that funding for this program be continued in the FY 2009 budget at the FY 2008 enacted level.

District of Columbia

The President's FY 2009 budget requests \$224 million to support the District of Columbia's court and criminal justice systems, which are funded and overseen by Congress rather than local government. I encourage continued support of the court and criminal justice systems at the requested levels.

Finally, the President's budget request includes \$15 million for emergency planning and security costs related to the presence of the Federal government in the District of Columbia,

including costs associated with the Presidential Inauguration. I encourage support for these programs and initiatives.

* * * *

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

Sincerely,

A handwritten signature in black ink that reads "Susan M. Collins". The signature is written in a cursive, flowing style.

Susan M. Collins
Ranking Member

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United States Senate
COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450

February 22, 2008

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

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

Dear Chairman Conrad and Ranking Member Gregg:

This letter responds to your request for the Senate Indian Affairs Committee's views and estimates on the President's Fiscal Year 2009 budget request for Indian programs. This Committee shares the President's commitment to reducing the federal deficit and balancing the budget. However, the government-to-government relationship between the United States and Indian tribal governments and the federal trust responsibility require support adequately reflecting these obligations. Moreover, our oversight of conditions and issues facing Indian Country has enabled us also to see significant challenges. Many, if not most, American Indian and Alaska Native tribal governments face inadequate access to health care, economic opportunity, education, housing, and law enforcement services, all key elements of healthy communities. Thus, we are concerned about the potential impact of the number of proposed reductions in or elimination of funding for certain Indian programs. We urge that the budget resolution instead provide funding over the budget request that will promote the well-being of whole Native American communities, particularly in the areas of health care, housing, public safety and justice, and education.

In this letter, we set forth the general background supporting the Committee's recommendations as well as FY 2009 funding recommendations for specific programs. We appreciate your consideration of this Committee's recommendations as the Budget Committee develops the Fiscal Year 2009

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budget resolution.

In summary, the Committee recommends the following for major Indian programs:

- Public Safety and Justice within the Department of Justice, an increase of \$54 million above the FY 2008 enacted level and an amount sufficient to provide for an additional 25 FBI agents and 25 Assistant US Attorneys dedicated to Indian Country criminal cases;
- Public Safety and Justice within the Department of Interior, an increase of \$29.8 million above the FY 2009 budget request;
- Health care services within the Indian Health Service of the Department of Health and Human Services, an increase of \$156.9 million above the FY 2009 budget request, and an additional amount to cover “built-in” costs such as medical inflation and population growth, which the IHS estimates to be up to \$144.1 million;
- Tribal Energy activities within the Department of Interior, an increase of \$2 million above the FY 2009 budget request;
- Tribal Energy activities within the Department of Energy, an increase of \$22.3 million above the FY 2009 budget request;
- Tribal Economic Development activities for the Community Development Fund Initiatives within the Department of Treasury of \$8 million above the FY 2009 budget request;
- Tribal Economic Development activities for the BIA Indian Loan Guarantee within the Department of Interior of \$2 million;
- Welfare Assistance within the Bureau of Indian Affairs of \$21.9 million above the FY 2009 budget request;
- Tribal Infrastructure activities for the Indian Reservation Roads program within the Department of Interior of \$12.5 million above the FY 2009 budget request;
- Tribal Infrastructure activities for the Housing Improvement Fund within the Department of Interior of \$13.6 million above the FY 2009 budget request;

- The Tribal Land Consolidation Program within the Department of Interior of \$34.5 million above the FY 2009 budget request;
- Tribal Infrastructure activities, including community development, training and technical assistance, for Native American housing within the Department of Housing and Urban Development of \$57 million above the FY 2009 budget request;
- Indian Education programs within the Department of Interior of \$70.6 million above the FY 2009 budget request, includes restoration of programs zeroed out; and
- Indian Education programs within the Department of Education of \$130 million above the FY 2009 budget request, includes restoration of programs zeroed out.
- Contract Support Costs within the IHS of the Department of Health and Human Services in the amount of \$110 million above the FY 2009 budget request and within the BIA of the Department of Interior in the amount of \$40 million above the FY 2009 budget request.

I. General Background Supporting the Committee's Budget Recommendations

The U.S. Department of Interior identifies 562 federally-recognized tribes in the United States. For the 2000 Census, 4.3 million people identified themselves as American Indian or Alaska Native. Of this total, 2.4 million identified themselves as only American Indian or Alaska Native. The 2000 Census observed a 25% growth in the Indian population on reservations and a 21% growth off reservations. Between 1990 and 2000, the American Indian and Alaska Native population as a whole increased at a rate of 26%, compared with 13% for the total U.S. population. The Bureau of Indian Affairs (BIA) provides land trust, education and other services to 1.6 million enrolled members of federally recognized tribes, and the Indian Health Service (IHS) provides health care services to 1.9 million American Indians and Alaska Natives.

Generally, funding for Indian programs derives from the United States' trust obligation to Indian tribes. This unique political and fiduciary relationship is grounded in the United States Constitution, treaties, federal statutes, and Supreme Court case law. The federal government's obligation also arises in part from cessions of many millions of acres of land from Indian tribes to the United States in exchange for peace, protection of tribal sovereignty, reservations of tribal homelands, and promises to provide a variety

of programs and services. While the federal policy toward Indians has shifted over time, sometimes radically, for the last thirty-plus years, both the Congress and Republican and Democratic Administrations have encouraged a policy of Indian self-determination, which encourages tribes to develop programs that best serve their members, lessen their dependence on the federal government, and ensure their participation in the nation's economy.

Recent studies conclude that the federal policy of self-determination, under which tribal governments build and administer their own programs, is working to improve Indians' socioeconomic status. Every effort must be made to support and enhance tribal self-determination. Despite recent gains, tremendous disparities continue to exist in various socioeconomic indicators between Native Americans and the overall U.S. population, with Indians ranking well below the national average in measures of public safety, health, education, income, and welfare. Indicators of this disparity include the following:

Violent Crime Committed Against Native Americans Is Twice the National Average. According to statistics gathered by the Department of Justice's Bureau of Justice Statistics, violent crime committed against American Indians is twice the national average, and is more likely committed by a perpetrator who is not Native American. Among American Indians age 25 to 34, the rate of violent crime victimizations was more than 2½ times the rate for all persons the same age; and rates of violent victimization for both males and females were higher for American Indians than for all races. For Native youth between the ages of 12 and 17, the rate of violence is 65% greater than the national rate for youth. In addition, according to a recent Centers for Disease Control report, the percentage of Indian women over the age of 18 with a history of lifetime intimate partner violence victimization is at a shocking 39%. In 2007, the Administration reported that violent crime rate on Indian reservations was 492 per 100,000 residents.

The Poverty Rate Is Higher for American Indian and Alaska Natives Than for the United States Overall. The average annual poverty rate for American Indian and Alaska Natives between 1999 and 2001 was 24.5%, compared to the national average poverty rate of 11.6%. Nearly one-quarter of Native Americans live in poverty.¹ Although income levels for reservation residents rose 33% between 1990 and 2000, per capita income for Indians living on the reservation is still less than one-half the national average.

Indians' Health Status Is Lower Than That of the Overall U.S. Population. Indians' and Alaska Natives' life expectancy is almost four years less than that of the overall U.S. population. Death rates from a variety of diseases are

¹ U.S. Census Bureau, "Poverty in the United States: 2001," *Current Population Reports*, September, 2002, p. 7.

significantly higher than for the general population. For example, Indians have a 670% higher death rate from alcoholism, a 318% higher death rate from diabetes, and a 650% higher death rate from tuberculosis than the general population. American Indian and Alaska Native mortality rates for cervical cancer, motor vehicle crashes, unintentional injuries and homicide are also higher than the mortality rates for other Americans. The suicide rate for American Indians and Alaska Natives between the ages of 15 and 34 is three times the national average, with access to mental health services non-existent for many tribal youth.

Unemployment Is a Persistent Problem. The Bureau of Indian Affairs 2003 Indian Labor Force Report calculated that 49 percent of the total Indian labor force living on or near reservations was unemployed. This percentage ranges among tribes and among states. The Aroostook Band of Micmac Indians in Maine, for example, has an estimated 88% unemployment as a percent of the available labor force. The Oglala Sioux Tribe of the Pine Ridge Reservation in South Dakota has an unemployment rate of 87% of the available labor force.

Housing for Indian Families Is Inadequate. According to 2002 statistics, 90,000 Indian families were homeless or under-housed. On tribal lands, 28% of Indian households were found to be overcrowded or to lack adequate plumbing and kitchen facilities, compared to 5.4% of national households.² When the physical structure, heat, and electrical equipment conditions are included, approximately 40% of reservation housing is characterized as inadequate, compared with 5.9% of the national households, and less than half of all reservation homes are connected to a public sewer system. One in five American Indians lives in an overcrowded home, and on some reservations, as many as 25 to 30 people live in a three-bedroom home.

Indian Educational Achievement Lags Behind. Approximately 33% of the American Indian and Alaska Native population is under the age of 18. However, the educational achievement, graduation rate, and college readiness of Indian and Alaska Native students seriously lag behind other groups of Americans. According to the Department of Education, Indian students are below the national average on national math, reading, and science assessments and lag behind most other races in these subject areas. At both grades 4 and 8, Indian and Alaska Native students had lower average scores in both reading and math than the average scores for all other students in the nation. 11.4% of American Indian and Alaska Native students received special education services in 2002. According to a 2003 study conducted by the Manhattan Institute for Policy Research, the graduation rate for Indian students was 54 percent compared to 72 percent for white students. The college readiness rate

² *Native America at the New Millennium*, Eric Henson and Jonathan B. Taylor, April, 2002, The Harvard Project on American Indian Economic Development.

for white students was 37, while only 14 percent of Indian students were prepared to succeed in college.

II. Committee Recommendations on Specific Programs

PUBLIC SAFETY AND JUSTICE IN INDIAN COUNTRY

The United States has distinct legal obligations to provide for the public safety in Indian Country. Sections 1152 and 1153 of Title 18 of the United States Code acknowledge the responsibility of the United States to investigate and prosecute most crimes committed on Indian lands. Federal investigators and prosecutors are also responsible for policing and prosecuting more than a dozen other federal laws that are unique to Indian lands, ranging from the sale or possession of intoxicants, to destruction of Indian property, to gambling.

Congress and the Administration have acknowledged that tribal law enforcement officers are often the first responders to reservation crime, and that tribal justice systems are ultimately the most appropriate institutions for maintaining order in tribal communities.

As a result, in order to fulfill the federal government's trust and legal responsibilities to Indian tribes, the United States must provide adequate federal law enforcement resources to Indian Country, and enhance tribal justice systems themselves.

Despite these obligations, funding for investigators and prosecutors at the federal level, and for tribal justice programs at the local tribal level have steadily decreased over the past six fiscal years. Between 2004 and 2007, United States attorneys declined to prosecute 62% of reservation criminal cases referred to their offices. The Justice Department shows a 27% decrease in Indian Country criminal investigations by the Federal Bureau of Investigations from 2001 to 2006. In FY 2002, funding for tribal public safety and justice programs at the Department of the Interior and Department of Justice totaled \$262 million. In FY 2007, the total was \$255 million.

The lack of dedicated resources and funding has led to the existing public safety crisis that many tribal communities face across the country. Rates for violent crime, domestic abuse, and sexual assault on Indian reservations remain significantly higher than the national average. A February 8, 2008, report released by the Centers for Disease Control finds that American Indian and Alaska Native women experience the highest rates of domestic violence in the United States. The survey found that two in five Native women (39%) have been victims of intimate partner violence in their lifetime, compared with one in four women overall. The CDC survey is consistent with an April,

2007, Amnesty International report which found that 34% of Native women will be subject to rape or sexual assault in their lifetimes.

In 2007, the Administration reported that the violent crime rate on Indian reservations was 492 per 100,000 residents. The national average was 330 per 100,000 residents. Reservation rates for aggravated assault was nearly double the national average (444 vs. 245).

Crimes committed by and against American Indian and Alaska Native juveniles follow this same pattern. For Native youth between the ages of 12 and 17, the rate of violent victimization is 65% greater than the national rate. The Department of Education's National Center for Education Statistics estimated that in 2004, 22 percent of American Indian and Alaska Native high school students reported being threatened or injured with a weapon on school grounds in the previous twelve months, compared to 11 percent of black, 9 percent of Hispanic, and 8 percent of white students.

Federal and tribal law enforcement agents have revealed a disturbing trend in reservation drug trafficking. Officers have seized drug organization business documents that cite the lack of tribal law enforcement resources and jurisdictional confusion. These criminal organizations have increased efforts to target Indian reservations for the manufacture and distribution of drugs with a focus on methamphetamine.

Indian Country crime hinders economic development on Indian lands, further deteriorates the health of reservation residents, and imposes dramatic financial burdens on tribal governments. For example, the February, 2008, Centers for Disease Control report identifies a correlation between domestic violence and chronic diseases and conditions, as well as risky health behaviors like smoking and binge drinking.

For all of the above listed reasons, the Committee proposes a significant increase in public safety and justice funding for tribal programs and law enforcement resources for both the Department of Justice and Department of the Interior in FY 2009.

Department of Justice

Tribal leaders have continued to make public safety and justice their top funding priority. Critical shortages in police presence, lack of resources for tribal courts and justice officials to prosecute crimes, and lack of bed space and treatment facilities to incarcerate and treat individuals convicted in tribal court have all led to a growing public safety crisis in Indian Country.

As noted above, the Department of Justice has specific legal obligations to prevent and prosecute Indian Country crime. Just as the Department

provides supplemental funding for state and local government justice systems, it has provided similar program funding for tribal governments over the past decade, including:

- Construction of Correctional Facilities in American Indian and Alaska Native Communities Discretionary Grant Program provides funding for the construction of jails on tribal lands to incarcerate offenders subject to tribal jurisdiction;
- Tribal Community Oriented Policing Services Program provides direct funding to tribal governments to hire and train new and existing law enforcement officers, and to purchase equipment, technology and vehicles to support these law enforcement officers;
- Tribal Courts Assistance Program supports the development, implementation, enhancement and continuing operation of tribal judicial systems;
- Tribal Youth Program provides grants to tribes to improve tribal juvenile justice systems and to develop and implement culturally-sensitive delinquency prevention programs, alcohol and substance abuse prevention programs, and interventions for tribal youth; and
- Indian Alcohol and Substance Abuse Program provides grants to support tribal communities to plan and implement system-wide strategies that will reduce and control crime associated with the distribution and abuse of alcohol and controlled substances.

Funding for these programs has steadily declined over the past six fiscal years. At the same time, violent crime on Indian lands has continued to steadily increase. The FY 2009 budget again proposes to eliminate these tribal-specific public safety and justice programs within the Department of Justice. The FY 2009 budget proposes to consolidate 70 Office of Justice Programs grant programs into four new discretionary grant programs for state, local and tribal governments.

The Committee **opposes** the consolidation of these programs, and instead recommends that tribal programs continue to be expressly and separately funded.

Police Presence in Indian Country: There are approximately 2,500 federal and tribal law enforcement officers that patrol more than 56 million acres of Indian lands. The violent crime rate in Indian Country is more than double the national average, which mirrors the violent crime rates of large urban areas like Baltimore, Detroit, and Washington, DC. Those cities have police-to-citizen

ratios that average more than 5 officers per 1,000 residents. However, in Indian Country few police departments have more than two officers per 1,000 residents.

Tribal Courts: As noted above, the federal declination rate for reservation crimes is more than 60%. When a case is declined at the federal level, the tribal court represents a victim's last chance to obtain justice. However, most tribal court systems are overwhelmed, underfunded, and ill-equipped to deal with the growing public safety crisis facing Indian Country. Many tribal courts systems lack computers, essential tracking systems and public defenders.

Tribal Correctional Facilities: Another contributing factor to reservation crime is the lack of jail bed space to house adult and juvenile offenders. According to the Bureau of Justice Statistics, inmate levels in tribal jails exceed 120 percent of capacity. Tribal jails nationwide face a \$400 million construction backlog. The lack of space has forced tribal court judges to release lower level offenders back into the community. Only the most hardened criminals are incarcerated. In testimony before the Indian Affairs Committee in June, 2004, the Interior Department's Inspector General testified that the Indian jails system has been under-funded for more than a decade, and that of the 74 jails on Indian lands, he said that the majority are outdated, overcrowded, and in deplorable condition.

The Committee recommends restoring and enhancing funding for the following tribal justice programs within the Department of Justice:

- Tribal COPS, \$35 million;
- Correctional Facilities on Tribal Lands, \$35 million; and
- Tribal Courts Assistance Program, \$15 million.

The Committee also proposes retention of the FY 2008 funding levels for the Indian Alcohol and Substance Abuse and Tribal Youth Programs:

- Indian Alcohol and Substance Abuse Program, \$5 million; and
- Tribal Youth Program, \$14.1 million.

This proposal would restore funding for these five tribal justice programs to the FY 2002 total levels of \$104.1 million (once adjusted for inflation), and represents a \$50 million increase over total FY 2008 enacted level.

Violence Against American Indian and Alaska Native Women: As noted above, the Centers for Disease Control reported this month that two in five (39%)

Native women will experience violence in their lifetimes. This is the highest rate of any group in the Nation. The CDC survey confirms an April 2007 Amnesty International Report that 34% of Native women will face rape or sexual assault in their lifetimes.

Recognizing the exceptional needs of Indian women, Violence Against Women Reauthorization Act of 2005 included provisions to fund research and tracking systems to enhance the ability of tribal governments and tribal law enforcement agencies to respond to violence against Indian women on tribal lands. Congress funded both of these programs at \$940,000 each in FY 2008.

As with the other tribal specific programs, the Department's FY 2009 budget request would eliminate the specific tribal programs within the Office on Violence Against Women. The Committee opposes the elimination of these programs and proposes full funding for both programs at the FY 2008 levels.

Federal Law Enforcement Resources: As noted above, the Department of Justice has specific legal obligations to respond to, investigate, and prosecute Indian Country crimes. However, Department resources dedicated to these efforts have decreased in recent years. FBI investigations into Indian Country crime have decreased by 27% in the past 7 years, and U.S. attorneys have declined to prosecute an average of 62% of Indian Country criminal cases referred to their offices.

To address these shortages, the Committee proposes funding for an additional 25 Tribal Liaisons (Assistant United States Attorneys dedicated to prosecuting Indian Country crimes), an additional 25 FBI agents to investigate and prepare Indian Country crimes for prosecution, and an additional \$2 million for the FBI to train tribal law enforcement officers and conduct forensic examinations of Indian Country crimes.

Bureau of Indian Affairs

Like the Department of Justice, the Bureau of Indian Affairs also has specific legal, treaty, and trust obligations to provide for the public safety of Indian Country residents. BIA law enforcement officers work with Federal Bureau of Investigation officers to investigate reservation crimes and prepare them for prosecution by the United States attorneys or tribal prosecutors. Many tribes have contracted law enforcement services from the BIA pursuant to the Indian Self-Determination and Education Assistance Act, and operate their own law enforcement agencies, court systems, and jails. The BIA provides direct base funding for these tribal justice programs.

In 2007, the Indian Affairs Committee held three hearings to examine the current Indian Country justice system, its needs, and needed reforms. These hearings reveal a severe and longstanding public safety crisis in Indian

Country. The problem stems from a complicated jurisdiction makeup that governs Indian lands, and a historical lack of funding for tribal justice systems. The Committee's hearing noted the critical staffing and facility shortages plaguing the BIA and tribal law enforcement agencies.

As noted above, these personnel shortages have been exploited in recent years by non-Indian and foreign drug organizations. These organizations are targeting Indian reservations, particularly, for the manufacture and distribution of methamphetamine and other drugs to reservation residents and nearby communities.

The Committee **supports** the Department's proposed funding increases for the following Public Safety and Justice programs, and in two cases, recommends additional funding over the budget request:

Safe Indian Communities Initiative: The FY 2009 budget proposes to continue and increase the Secretary's Safe Indian Communities Initiative by \$2.9 million over the FY 2008 enacted level. With this increase, the total cumulative investment in the Initiative will reach \$50.3 million. These funds will provide:

- Additional officers for law enforcement.
- Specialized drug training for existing officers.
- Support for public awareness campaigns for the Indian public.
- Additional resources to protect tribal lands located in the United States border.
- Additional social workers.

This initiative has proven successful in combating escalating methamphetamine production and trafficking.

Criminal Investigations and Police Services: The FY 2009 budget proposes an increase of \$873,000 for criminal investigations and police services within the BIA. This increase would fund an additional 90 criminal investigators and police services personnel, even though there is an identified need for 1,056. In addition, the Committee notes that the BIA proposal would fill 64 BIA law enforcement personnel positions, and only 26 tribal law enforcement personnel positions. This allocation does not comport with the fact that Indian tribes operate 78% of BIA-funded law enforcement agencies pursuant to contracts and compacts; BIA operates 22% of the remaining agencies.

The Committee recommends that BIA Criminal Investigations and Police

Services be funded at \$147.275 million, or \$10 million over the FY 2008 enacted level. The additional funding should be used to hire and train additional BIA and tribal police and criminal investigators, and should be allocated evenly according to the needs of both BIA and tribal law enforcement agencies.

Detention/Correction Personnel: The FY 2009 budget requests an increase of \$625,000 for additional hiring of BIA and tribal detentions/corrections officers to address the specific recommendations of the 2004 OIG report, referenced above. The Division of Corrections will implement more aggressive recruitment and retention programs to fill vacancies. This increased funding will go to hire 126 BIA detention personnel, and 20 tribal detention personnel. The Committee is concerned about the proportionality in allocating the funding between the BIA and tribal needs. The identified shortage at BIA-run facilities is 157, while at tribally-run facilities there is a shortage of 313, yet the BIA only directly operates 24 detention programs and funds 67 tribally-operated detention programs.

The Committee recommends that BIA Detentions/Corrections be funded at \$74 million, or \$10 million over the FY 2008 enacted level. The additional funding should be used to hire and train additional BIA and tribal detentions/corrections officers, and should be allocated evenly according to the needs of both BIA and tribal corrections facilities.

The Committee **opposes** the proposed decreases to the following programs:

Facilities Improvements and Repair: The FY 2009 budget request proposes a decrease of \$2.9 million to the Public Safety and Justice Facilities Improvement and Repair subcategory. The Committee opposes this proposed decrease in funding and recommends that the BIA Public Safety and Justice Facilities Improvement and Repair program be funded at \$20 million, which would be \$9.1 million over the FY 2008 enacted level.

The goal of the program is to focus on improvements and repairs or renovations of the Bureau-owned detention and law enforcement facilities to correct critical health and safety deficiencies. The Department of the Interior's Office of Inspector General issued a detention facilities report in 2004 which pointed out the acute need for safe and secure tribal detention facilities, including the fact that 33% of BIA facilities are more than 30 years old. The report indicated that the majority of facilities were built to be short term holding facilities. These aged and decrepit facilities are only adding to the law enforcement dilemma in Indian country, and forgoing their repair and improvement will only cost the government more money in the long run.

Tribal Justice Support (Tribal Courts): The FY 2009 budget request proposes a

decrease of \$2.5 million to the BIA Tribal Justice Support program. The Committee opposes this proposed decrease in funding and recommends that the BIA Tribal Justice Support program be funded at \$15 million, which would be \$700,000 over the FY 2008 enacted level.

The Tribal Justice Support program funds 288 Tribal Courts and BIA Courts of Indian Offenses, including the salaries and related administrative costs of judges, prosecutors, public defenders, court clerks, probation officers, juvenile officers, and other court support staff. This money is needed to hire judicial personnel who are crucial to the overall improvement of Indian country justice systems. Recruiting and retaining qualified judicial personnel and prosecutors has been a problem for Tribes and the BIA. This reduction will counteract the increases in law enforcement through the Safe Indian Communities Initiative.

ADEQUATE HEALTH CARE FOR INDIAN COUNTRY

Indian Health Service

In general, the FY 2009 budget request proposes an overall net decrease of \$21.3 million below the FY 2008 enacted level for the Indian Health Service. This net decrease is entirely from the Indian Health Facilities account, which would be funded at a total of \$353.3 million. For the Indian Health Services account, the budget request proposes the same level as the FY 2008 enacted amount of \$2.97 billion.

The Committee is aware that the IHS Tribal Budget Formulation Workgroup, in its FY 2009 budget recommendations, proposed a \$781 million increase for the Indian Health Service. This amount included not only funding increases for staffing of new facilities, but also program increases and increases for built-in costs. Other preliminary estimates indicate that more than \$450 million is needed to maintain current services and mandatory cost increases, such as pay costs and inflation.

Built-In Costs: The FY 2008 budget proposed an increase of more than \$270 million for IHS and tribal pay costs, inflation, population growth, and staffing and operating costs at two new health facilities, and to restore the FY 2007 base from the level of the President's FY 2007 request to the level of the FY 2007 Continuing Resolution.

By contrast, the FY 2009 budget request does not include \$144.1 million in adjustments that IHS estimates is needed for IHS and tribal pay costs, medical inflation, and population growth (projected to be 1.5% for 2009). Unless additional funding is provided, these built-in costs will have to be absorbed by the IHS and tribal programs. The FY 2009 budget proposal

includes \$25 million for staffing and operating costs of three newly constructed or expanded facilities. The Committee supports the requested \$25 million for staffing of new facilities, and urges that additional funds be provided to cover built-in costs.

Indian Health Care Improvement Fund: The Committee supports the proposed \$10 million increase to the Indian Health Care Improvement Fund. The proposed increase will be allocated to IHS and tribal sites that are funded at less than 40% of need to enable these sites to expand services and reduce backlogs for primary care. The Indian Health Care Improvement Fund received a \$13.8 million increase in the FY 2008 Consolidated Appropriations Act, the first such increase in three years. (The Fund received a total of \$110.3 million in FY 2005, FY 2006 and FY 2007, and \$118.1 million in FY 2008.)

Dental Health: The Administration has requested a \$4.3 million for Dental Health, which the Committee strongly supports.

The Committee's efforts in this and in previous Congresses to reauthorize the Indian Health Care Improvement Act have highlighted the true epidemic of dental disease in Indian communities, and in Alaska Native communities, in particular. This is the result of decades of inadequate access to dental care, along with other factors that contribute to the generally worse health condition of Indians as compared to the general population. According to a 2000 report of the Surgeon General, the incidence rates for periodontal disease among Indians were 2 1/2 times that of the general public. In Alaska Native communities, it is not uncommon for children to require extraction of all of their baby teeth due to pervasive caries. Nor is it uncommon for the nutritional status of Alaska Native elders to be compromised by their inability to consume healthy foods due to dental pain or missing teeth. This situation is exacerbated by a chronic shortage of dentists. The IHS dentist vacancy rate, as of January, 2007, was 31%, and the list of IHS dental vacancies listed more than 150 positions available for dental offices, pediatric dentists, community dental hygienists, and related staff.

Methamphetamine and Suicide Prevention and Treatment Initiative: In FY 2008, Congress appropriated \$13.8 million for a new IHS methamphetamine and suicide prevention and treatment initiative. The kinds of programs Congress directed with the FY 2008 increase – methamphetamine prevention and treatment programs, suicide prevention and intervention programs, methamphetamine and suicide initiatives at the Residential Treatment Centers, and telemedicine technology – will not make a difference in addressing these issues if they are not sustained with a similar amount of funding in FY 2009.

The Committee appreciates the Service's efforts – including efforts in partnership with the Substance Abuse and Mental Health Services Administration – to address suicide prevention, as well as the crisis of methamphetamine production, distribution and use in Indian Country. Both

of these tragic issues shatter families, endanger children, and threaten the cultural and spiritual lives of Indian and Alaska Native people. The Committee supports the requested increase of \$2.3 million to the Mental Health program to provide additional resources related to methamphetamine and suicide prevention as part of the Director's Behavioral Health Initiative. However, the Committee rejects the proposed reduction to the methamphetamine and suicide prevention and treatment initiative in the Alcohol and Substance Abuse program to a proposed level of only \$2.5 million. The Alcohol and Substance Abuse Program provides preventative and treatment services at both community (tribal and urban) and clinic levels, incorporates holistic and culturally-appropriate approaches, and complements the Director's Behavioral Health Initiative. The Committee supports both components as complements in addressing these epidemic scourges of Native communities.

Indian Health Professions: The budget request proposes to reduce the Indian Health Professions program from \$36.3 million in FY 2008 to a proposed level of \$21.9 million for FY 2009. The Committee recommends that this proposed \$14.4 million decrease in FY 2009 be restored, including the additional \$5 million for the Loan Repayment Program that Congress appropriated in FY 2008. Proposed reductions to the Quentin N. Burdick American Indians into Nursing Program, the Indians into Medicine Program and the Indians into Psychology Program should also be restored.

The Committee notes that as of January, 2007, the Service's physician vacancy rate was approximately 17%, nursing vacancy rate was 18%, and, as noted above, the dental vacancy rate was at an all-time high of 31%. The Service itself admits that while the scholarship and loan repayment programs are not able to provide enough health care professionals to reduce vacancy rates, they do assist with meeting the staffing needs of hard to fill locations.

The Committee believes that the Loan Repayment Program has been valuable in attracting and retaining health professionals to Service facilities by assisting with qualified student loan debts in exchange for a two-year minimum service obligation at IHS or tribal sites.

Contract Health Services: Contract Health Services is proposed to receive an \$8.8 million increase in the FY 2009 request. The Contract Health Services Program allows for the purchase of medical care and urgent health care services within IHS guidelines from private sector health care providers for IHS beneficiaries when health care and medical services are not available at IHS or tribal health facilities. This includes hospital care, physician services, outpatient care, laboratory, dental, radiology, pharmacy, and transportation services. However, there are many instances where care that is being sought is within IHS guidelines but is deferred, or denied. The unmet need for Contract Health Services is estimated to exceed \$1 billion. In addition, the fact that the IHS is replacing the hospitals in its system with outpatient care facilities

heightens the need for Contract Health Services for hospital-based care.

The Committee has strongly supported recent increases for Contract Health Services. While we support the additional \$8.8 million proposed for FY 2009, we note that this increase is roughly only one-third the amount needed to cover built-in costs (\$30.1 million). Thus, the Committee recommends a larger increase of \$50 million to cover built-in costs and to address some of the unmet need in deferred and denied services.

Urban Indian Health Program: At the Committee's recent hearing on the nomination of Robert McSwain to be the Director of the Indian Health Service, Mr. McSwain emphasized that the FY 2009 budget request's focus on providing clinical services to Indians on or near reservations justifies the proposed elimination of the programs serving urban Indians as well as a proposed reduction to Health Care Facilities Construction. The Administration has also included a recommendation of additional bill language in the Facilities account and in General Provisions to specify that services provided by the Indian Health Service are to be available specifically to federally-recognized Indian tribes, further suggesting that the federal government has no role in providing services to Indians living in urban areas.

However, providing health care services to urban Indians has been a part of federal policy for nearly 40 years. Congress specifically authorized urban Indian health programs as part of the Indian health care system in the original Indian Health Care Improvement Act of 1976. That statute recognized that the federal government's obligation for health care extends to these Native American individuals.

The Urban Indian Health Program funds Urban Indian Health Organizations that provide health services to eligible Indians in urban centers. The IHS is directed to fund these organizations based upon the documented and unmet needs of the urban American Indians and Alaska Natives communities they serve. The 2000 census indicated that as much as 66% of the American Indian and Alaska Native population lives in urban areas. The 34 urban Indian organizations serve approximately 150,000 eligible Indian users at 41 sites throughout the U.S. 20 of the 34 Programs offer direct health care services, such as dental, pharmaceutical, vision, alcohol or mental health treatment, suicide prevention and family wellness. The remaining 14 Programs provide health education, information and referral assistance.

Despite the statutory directive to operate the Urban Indian Health Program, the Administration proposes in FY 2009, as was proposed in FY 2007 and FY 2008, to eliminate the program, and to direct funding resources instead solely to Indian people living on or near reservations.

The Committee recommends that FY 2009 funding for the Urban Indian Health Program be provided at \$40 million. The Committee remains convinced that these urban Indian health programs provide health services in a cost-effective manner, and that, without them, many urban Indians would not seek care or would delay seeking proper medical attention until their health problems become emergencies. The Committee also does not share the Administration's view that Community Health Centers have the capacity to meet the needs of these American Indians and Alaska Natives living in urban areas. To the contrary, providing culturally-relevant care and serving as a gathering place for Indians from diverse tribal backgrounds who are away from their reservation communities are unique roles played by the urban Indian health organizations, and are not available from Community Health Centers.

Health Care Facilities Construction: For the Indian Health Facilities account, the budget request proposes a total of \$353.3 million, which is \$21.3 million below the FY 2008 enacted amount of \$374.7 million. Almost all of this proposed decrease, or \$20.8 million, comes out of the Health Care Facilities Construction account. The budget request will provide funding of \$15.8 million to continue construction of the Barrow, AK, hospital project. IHS estimates suggest, however, that this stage of construction at the Barrow facility would more adequately be funded at \$28 million in FY 2009. In addition, other projects funded in FY 2008 in California and South Dakota, as well as the small ambulatory and dental facilities programs are not proposed to receive FY 2009 funding. It has been estimated that nearly \$70 million is needed to fund these projects adequately.

An inadequate health care facilities construction budget not only hinders the delivery of care to Native Americans, but affects the workforce of health care professionals needed to work at IHS and tribal facilities. The Committee would urge that an additional \$50 million over the budget request be provided in FY 2009 for Health Care Facilities Construction to address some of this need.

ENERGY AND ECONOMIC DEVELOPMENT IN INDIAN COUNTRY

A diversified economy will boost other tribal services and improve the quality of life in Indian communities. Despite recent commercial successes in business development, energy ventures, and other business opportunities, many tribes still suffer from a severe lack of jobs and high unemployment. It is well-documented that Native entrepreneurs and communities lack access to capital for both home mortgages and commercial purposes. Federal programs assisting tribal governments to diversify their under-developed economies and build needed infrastructure are vital.

Department of Energy/Department of Interior

Indian Energy: The Committee recommends that additional funding be appropriated in FY 2009 to continue advances made in Indian energy development and oversight by the *Indian Energy Development and Self-Determination Act*, Title V, of the *Energy Policy Act of 2005*. Title V provided comprehensive reform with respect to energy development on tribal lands. Investments in tribal capacity to develop energy resources on tribal lands enhance the economic vitality of tribal communities by enabling tribes to partake in non-gaming economic development activities.

Title V authorized financial, technical, and environmental reforms that are carried out by the Department of Interior's Office of Indian Energy and Economic Development (OIEED) and the Department of Energy's Office of Indian Energy Policy and Programs (OIEPP). The centerpiece of Title V is the creation of a new land leasing regime which promotes greater tribal control and oversight of energy activities through Tribal Energy Resources Agreements (TERA). Once in place, a Tribal Energy Resources Agreement allows an Indian tribe to negotiate and execute leases, lease renewals, and other business agreements without specific review and approval of the Secretary of Interior. The Office of Indian Energy and Economic Development is charged with assisting tribes in developing the governing capacity to engage in energy development and approving Tribal Energy Resources Agreements.

The FY 2008 Consolidated Appropriations Act provided a total of \$2 million for the Interior Office of Indian Energy and Economic Development. \$1.4 million was provided to develop tribal capacity for energy resource development as well as protect the environment and \$600,000 was provided for administrative expenses to process Tribal Energy Resources Agreements. To ensure that these complicated agreements receive timely and adequate review, the Committee recommends that \$4 million be provided to the Office in FY 2009.

Title V authorizes the Office of Indian Energy Policy and Programs at the Department of Energy to promote energy development, reduce energy costs, strengthen energy infrastructure, and enhance electrical power and service to Indian tribes. Title V authorizes the creation of an Indian Energy Guaranteed Loan Program. To encourage renewable and non-renewable resource development, the Committee recommends that \$15 million be provided to carry out this program.

The FY2008 Consolidated Appropriations Act included \$6 million for renewable energy activities at the Department of Energy. To ensure that advances in renewable energy continue, the Committee recommends supporting renewable energy programs at a level of \$8.5 million in FY2009.

Department of the Treasury

CDFI Native American Program: The President's budget eliminates the Native American Set-Aside under the Community Development Financial Institutions (CDFI) Fund in FY 2009. The FY 2008 enacted level for the Native American Set-Aside was \$8 million, which will be used to leverage approximately an additional \$100 million in private sector investment in Indian Country. These investments are particularly important to Indian communities where there is not only a lack of private sector investment but a lack of access to any financial institutions. Many Indian communities lack a single financial institution within their borders and for some tribes, an ATM or local bank branch is over 100 miles away.

Investment in the CDFI Fund deepens the impact of a growing sector that provides financial services and supports economic development in Indian communities. Native CDFIs often serve as the sole financial and non-profit institution in their communities, providing critical access to capital, financial education and other services for tribal citizens. The Treasury Department has documented that for every dollar a CDFI receives through the CDFI Fund program, the CDFI leverages \$27 in private sector investment. Therefore, the Committee requests that funding be restored to the CDFI Native American Set-Aside to the FY 2008 level of \$8 million.

Bureau of Indian Affairs

Indian Guaranteed Loan Program Account: Despite recent commercial successes in business development, energy ventures, and other opportunities, many tribes still suffer a severe lack of jobs and high unemployment. It is well-documented that Native entrepreneurs and communities lack access to capital for both home mortgages and commercial purposes. The Indian Guaranteed Loan Program helps Indians gain access to capital by guaranteeing and insuring loans from the private sector to promote economic development for tribes, individual Indians and Alaska Natives. The Indian Guaranteed Loan Program is one of the most successful federal economic development programs in providing Native communities access to private sector capital.

The FY 2009 budget proposes to increase the Indian Guaranteed Loan Program by \$2 million in program subsidy for a total of \$8.2 million. This program leverages appropriated dollars at a 13 to 1 ratio. The Loan Guarantee Program supports the development of Indian-owned businesses, which in turn will create and sustain jobs to benefit Indian communities. High priorities are construction of buildings, recreational attractions and resort facilities. This program has generated jobs and employment opportunities from the resulting growth and expansion of reservation economies. Although these funds will guarantee outstanding loan authority of up to \$85 million, this funding has been historically inadequate for the demand for private sector investment.

The Committee notes that the FY 2009 budget is the first increase for the Indian Guaranteed Loan Program since FY 2004. Historically, this effective program has not kept up with inflation. The Committee believes that this program has clearly demonstrated its ability to promote economic development and job creation on reservations and appreciates that FY 2009 funding for this program has been increased to keep up for inflation. The increase maintains the dollar amount of loans that can be guaranteed. This amount would have been reduced in 2009 without additional funding due to an improved computer model for calculating the subsidy rate. The Committee believes that this additional guarantee authority would sharply increase the number of economic development projects on reservation lands and spur further private sector investment in Indian country.

Indian Reservation Roads Maintenance: The Indian Reservation Road Maintenance program provides maintenance of Bureau of Indian Affairs roads and bridges constructed under the Indian Reservation Roads Program. This program provides safe accessibility to health and educational facilities, tourism, employment, recreation, and economic development opportunities in Indian country. The FY 2009 budget proposes to reduce the Indian Reservation Road Maintenance Account (IRR) funding by 51% to \$13 million from the FY 2008 enacted level of \$25.5 million.

The budget justification states that the FY 2008 funding level is not needed due to identical funding available from the Department of Transportation that is granted to tribes which may choose to use up to 25 percent of the funds for maintenance of Indian Reservation Roads, including those owned by the BIA. The purpose of the reduction is to reduce up to 85 full-time employees at most region and agency offices who work in road maintenance because of more tribal governments taking over the Indian Reservation Roads Maintenance program under Self-Determination Act contracts and Self-Governance compacts.

The Committee does not support the decrease in Indian Reservation Roads Maintenance Program funding, because many individual Indian tribes who do use the entire portion of their 25% IRR funding formula for road maintenance do not have extra funding to pay for maintenance projects on BIA-owned roads. In addition, under the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU, Pub.L. 109-59), Congress expressly stated that the BIA still would continue to retain primary responsibility, including annual funding request responsibility for road maintenance programs in Indian reservations.

In addition, more BIA road maintenance funding is needed for safety of Indian reservation roads. While the number of fatal crashes on federal highways has declined 2.2 percent from 1975 to 2002, the number of fatal motor vehicle crashes per year on Indian reservations increased 52.4 percent.

These statistics illustrate the need to further maintain BIA roads. The Committee recommends that the Indian Reservation Roads Maintenance Program Account for FY 2009 be restored to the full \$25.5 million that was appropriated in FY 2008.

Office of Special Trustee

Indian Land Consolidation Program: The FY 2009 budget proposes to eliminate funding for the Indian Land Consolidation Program, which was funded in FY 2008 at \$9.8 million. The Committee is deeply concerned about this proposed elimination, and recommends that the Indian Land Consolidation Program be continued at the FY 2006 enacted level of \$34.5 million.

The Indian Land Consolidation Program reduces land fractionation by consolidating highly fractionated parcels of Indian-owned trust lands within the boundaries of reservations and restoring them to tribal ownership. The purchase of fractionated interests, which is an important part of the Department of the Interior's trust reform efforts, not only restores lands to tribal ownership, but also reduces record-keeping and otherwise unavoidable expenses required in administering tens of thousands of small fractional interests in land. The purchase of these interests also reduces the number of individual estates subject to probate by the Department.

In FY 2007, during *Cobell* settlement discussions, the Administration indicated that land fractionation was a priority and, in fact, requested \$59.4 million. Yet, only two years later, the FY 2009 budget request proposes to eliminate this funding while the Administration plans to work with Congress on an alternative approach to consolidation.

Improving the consolidation efforts are encouraging; however, the Committee is concerned about how further delays in consolidating land parcels will affect the overall success of the program or of these new approaches. The Department should continue buying fractionated interests in the interim.

MEETING BASIC NEEDS IN INDIAN COUNTRY

Department of Housing and Urban Development

NAHASDA Block Grant Program: The Native American Housing Assistance and Self-Determination Act (NAHASDA), enacted in 1996, is the primary statutory authority under which the federal government carries out its responsibility to provide housing to American Indian and Alaska Natives. NAHASDA reorganized the system of federal housing assistance to Native Americans by eliminating several separate programs and replacing them with a single block

grant. NAHASDA provides block grants to Indian tribes or their tribally designated housing entities (TDHEs) on a formula basis for affordable housing activities, including the purchase, modernization, or construction of housing units, as well as rental and homeowner assistance. The Act is being considered for reauthorization in 2008.

The Committee is concerned about the gradual erosion of funding for the NAHASDA block grant program over the past several years. The block grant program was funded at \$654 million in FY 2004, \$622 million in FY 2005, and \$624 million in FY 2006. The Committee appreciates that the FY 2007 Continuing Resolution funded the block grant program at \$628 million, and that the FY 2008 enacted amount was \$630 million. However, with the rate of inflation and because of the proposed elimination of the Housing Improvement Program in the BIA proposed again in the budget request, the FY 2009 requested amount of \$627 million will result in fewer homes being built for an Indian population that is growing and is in need of safe, decent and affordable housing.

The housing needs of tribal communities are acute. Approximately 90,000 Indian and Alaska Native families are homeless or inadequately housed; nearly 15% of homes in tribal areas are overcrowded, compared to 5.7% of homes of the general U.S. population, according to the 2000 Census. It is estimated that nearly 200,000 housing units are immediately needed to provide adequate housing in tribal areas.

Indian tribes have utilized their limited NAHASDA Block Grant Program funds in innovative ways, and have been successful in addressing the urgent housing needs in Indian country, proving that investment in this program shows returns. Housing is one of the three basic needs and we are not meeting this need in Indian country with current funding levels. Given these statistics, we recommend that programs under the Act be funded in FY 2009 at \$660 million, \$33 million over the budget request, which would take in to account appropriate adjustments for inflation.

NAHASDA Technical Assistance and Training: Technical assistance and training have been key components of making the Native American Housing Assistance and Self-Determination Act (NAHASDA) as successful as it has been over the past decade. Congress recognized the need for such activities and cost efficiencies in NAHASDA by authorizing funding “for assistance for a national organization representing Native American housing interests for providing training and technical assistance” (25 U.S.C. 4212). The major provider of technical assistance and training to the Native American community is the National American Indian Housing Council (NAIHC), a 35-year-old consortium of more than 460 tribes and Alaska Native villages that provides assistance to tribal housing authorities and tribally-designated housing entities. Training and technical assistance are effective tools in maintaining compliance with

NAHASDA's exacting statutory or regulatory requirements, with results such as enabling tribal housing authorities to stay audit-free. NAIHC has also addressed new issues facing the tribally-designated housing entities, such as identification and remediation of methamphetamine use in tribal housing. Approximately 5,000 tribal housing staff participated in NAIHC trainings in FY 2005 and 2006.

In FY 2005, the NAIHC received \$4.6 million in the Indian Housing Block Grant to provide technical assistance and training; that amount was reduced to \$2 million in FY 2006, \$1 million in FY2007, and \$1.9 million in 2008. The FY 2009 budget proposes to eliminate federal support for these much-needed activities. The Committee supports continued funding for the Council to provide technical assistance and training at \$4 million in FY 2009.

Indian Community Development Block Grant: The Indian Community Development Block Grant (ICDBG) program within the Community Development Block Grant is a competitive grant program that funds direct grants for use in developing viable Indian and Alaska Native communities, including housing and economic opportunities for low and moderate income persons. Indian and Alaska Native tribal governments traditionally receive one-percent of CDBG funds. However, given the role this program plays in building critical economic development infrastructure in Indian Country, we recommend that the program be increased by \$20 million from the recommended level of \$57 million to \$77 million in FY 2009.

Environmental Protection Agency

The FY 2009 budget proposes to decrease funding for programs and projects that provide clean water and sanitation to tribal communities. The Committee is particularly concerned about decreases in the Clean Water State Revolving Fund (CWSRF) and in funding for Alaska Native villages infrastructure. The Committee is concerned because the Indian Health Service's Sanitation Facilities Construction Program 2005 Annual Report stated that in order to meet the IHS strategic goal of raising the percent of American Indian and Alaska Native homes with safe water to 94% by 2010, a significantly larger increase in sanitation project and staff funding is required.

Clean Water State Revolving Fund: The Clean Water State Revolving Fund helps both states and tribes meet their significant infrastructure needs by funding the construction of wastewater treatment facilities and other water projects, including non-point source, storm water, and sewer overflow. The total funding proposed for states and tribes in FY 2009 is \$555 million, a \$134 million decrease in funding from FY 2008. Tribes receive a set aside of 1.5% of CWSRF funds, which would total only \$8.3 million for FY 2009 under the request. In 2006, the Indian Health Service estimated that \$684 million was needed to correct inadequate and non-compliant wastewater systems or to

construct systems where none currently exist. The Committee is concerned that the proposed FY 2009 level of funding is inadequate for the Fund, and recommends that level funding, as provided in FY 2008, be maintained at \$689 million, adjusted for inflation.

Water for Alaska Native Villages: The State and Tribal Assistance Grants program's infrastructure assistance program component provides for construction of wastewater and drinking water facilities to address serious sanitation programs in Alaska Native villages. The Environmental Protection Agency estimates that more than 20,000 homes in Native villages lack basic sanitation facilities. This budget request reflects a decrease of \$9.1 million from the previous year. In 2006, the Indian Health Services estimated that it would cost more than \$340 million to address the worst deficiencies in Alaska villages, which have inadequate or non-compliant wastewater treatment systems and lack safe water supply and sewage disposal systems. The Committee is deeply concerned that the \$15.5 million proposed for FY 2009 is grossly inadequate to address the worst sanitation problems confronting Alaska villages. In FY 2008, \$24.6 million was appropriated for Alaska Native villages and the Committee recommends that level funding be maintained for FY 2009, adjusted for inflation.

Bureau of Indian Affairs

Housing Improvement Program: The FY 2009 budget proposes to eliminate the Housing Improvement Program (HIP). The overall \$13.6 million decrease is made up of a \$13.6 million reduction for the main HIP program and is a severe reduction in much needed housing funding.

The budget justification states that this proposed elimination is due to the program servicing a limited number of tribes and eligibility overlapping between the Housing Improvement Program and the Native American Housing Assistance and Self-Determination Act Block Grant Program. However, BIA has not identified which eligibility criteria overlaps or duplicates these programs. Likewise, the Committee has not been informed that leveraging funding for the two programs overlaps or duplicates the programs, particularly when the HIP program funding may assist homes which may not have been provided housing assistance under the NAHASDA program.

The Committee does not support this proposed program elimination, because the HIP program funding serves the neediest individual Indians who are not able to meet tribal standards for HUD housing programs. The HIP program provides funding for Indians who need housing repairs and renovations of existing homes, construction of a modest replacement home, or construction of a modest home for an Indian family who does not own a home, but who has ownership in or a lease interest on land suitable for housing. We recommend that the HIP program be maintained at the current level of \$13.6

million.

Welfare Assistance: The FY 2009 budget proposes to reduce the general welfare assistance by a total of \$21.9 million from the FY 2008 level of \$79 million. This assistance is provided to Indians who either have no access to or do not meet eligibility criteria for welfare benefits from any other county, state or federal welfare programs. Decreasing these benefits may leave individuals without any resources to provide for themselves or their families.

Johnson-O'Malley Grants: The Johnson O'Malley program provides supplemental educational grants to tribes with students attending public schools. This program provides assistance to Indian tribes and public schools for basic educational needs of Indian children, such as school supplies, nominal clothing subsidies, transportation, and after-school programs that provide tutoring and counseling, which have been unavailable under the No Child Left Behind Act. The program administrators at the local schools may also serve as liaisons between the Indian parents or students and school administrators, to boost students' chances for success. The funds are used by tribes to pay for things such as eyeglasses for students; school supplies; scholastic testing fees; and Native youth leadership programs. BIA says that the funding is duplicative of other grants offered by the Department of Education, but the Committee has seen no evidence of this.

The FY 2009 budget request proposes a reduction of \$21.4 million for JOM in the BIA budget (including an elimination of JOM funds for the Consolidated Tribal Government and Self-Governance Programs). The Committee recommends restoration of funding at the FY 2006 level of \$24.1 million for this culturally-relevant program for Indian students.

Education Construction: Within the total of \$115.4 million requested for Education Construction, the proposed budget for FY 2009 includes \$22.4 million for Replacement School Construction, a \$24.3 million reduction from FY 2008.

There remain over 60 Bureau-funded schools which are still in poor condition, yet these may be the only buildings available for educating the children. The Committee recommends that funding for Education Construction be increased \$27.6 million over the budget request, to maintain the program at the same funding level provided in FY 2008.

Tribal Technical Colleges: The Committee is disturbed that, as the Administration proposed in the FY 2007 and FY 2008 budget requests, no funding is requested in FY 2009 for the tribal technical colleges, United Tribes Technical College (UTTC) and the Navajo Technical College (NTC). Additionally, the Administration requested no funding for the Carl Perkins program in the Department of Education which provided funding for UTTC and NTC in prior

years. UTTC and NTC have demonstrated high levels of success in educating Indian students. The Committee urges that funding of \$4.5 million be provided for UTTC and \$2.5 million for NTC.

Scholarships and Adult Education: These programs provide financial assistance to improve the success of students at each education level and to obtain a GED or obtain basic skills necessary to transition to community college or job placement. The Committee recommends that funding be funded at the FY 2008 level of \$29.6 million.

Tribal Colleges and Universities: Tribal colleges and universities provide a wide array of educational degrees and programs and are located in Indian communities, thereby providing greater access to higher learning for Indian students. Of the 26 schools, all of them provide Associate degrees and several offer Bachelor's and Master's degrees in such disciplines as Business Management. In FY 2009, it is projected that tribal colleges will provide educational opportunities to over 25,000 individual students.

The Haskell Indian Nations University, through the Bureau of Indian Education, is a four-year institution which offers Associate degrees and Bachelor's degrees in Elementary Education and Business Administration, among others. Haskell provides unique opportunities which Indian Country can capitalize on through elementary education degrees designed to "grow your own" teachers for Bureau-funded schools, which in turn increases the potential for compliance with the No Child Left Behind Act, and provides an educated Indian workforce. In addition, through the Business Administration track, Haskell also contributes to the economic well-being of Indian tribes by preparing students to take leadership and management roles.

The Southwestern Indian Polytechnic Institute provides Associate degrees transferable to other universities in education and business. The SIPI also prepares skilled and trained individuals through certificate programs.

The need for tribal economic development, health care and other leadership professionals suggests that tribal colleges should be funded at levels sufficient to overcome the barriers associated with the remote locations of these schools, such as recruitment, retention and distance learning, and the advanced requirements of competitiveness in the global economy. Moreover, the Committee anticipates that the additional economic development initiatives being advanced this year will place these institutions of higher learning in greater demand by Indian students and tribal leaders and communities.

Therefore, the Committee recommends that the Tribally-Controlled Colleges be funded at \$59.7 million, which is 5% increase over the FY 2008 enacted amount. Likewise, the Committee recommends that Haskell be funded at \$12 million, which is a \$1.56 million increase over the budget

request. We further recommend that SIPI be funded at \$8 million, which is an increase of \$1.6 million over the budget request.

Department of Education

The Committee notes that there is no increase in the FY 2009 funding request for Indian education programs at the Department of Education. The funding request either maintains current levels, proposes slight decreases or, in many cases, proposes elimination. These programs fund such activities and services as public school programs for Indian children; funding for tribal colleges and tribal post-secondary vocational and technical colleges; supplemental education programs for Native Hawaiian and Alaska Native children; and improvement and expansion the capacity of Alaska Native and Native Hawaiian serving post-secondary institutions.

As the Administration has acknowledged, most American Indian and Alaska Native students attend schools in small towns and rural areas. These schools face increased challenges in meeting the requirements of the No Child Left Behind Act, ranging from the difficulties of recruiting and retaining highly qualified teachers to work in rural areas, to higher transportation costs to cover gasoline and vehicle maintenance and repair.

Unfortunately, the proposed FY 2009 funding levels do not consider the growing American Indian and Alaska Native population, the cost of inflation or other factors unique to the education of Indian students. Because of this, the proposed FY 2009 funding levels for Indian education programs are disappointing.

Title VII, No Child Left Behind: We request a modest increase of 5% (or \$9.3 million) over the FY 2008 enacted level of \$186.2 million for a total of \$195.5 million for Title VII, Native Education. No Child Left Behind Title VII provides critical support for culturally-based educational approaches for Native students, and has produced many success stories in bridging the achievement gap for these students.

We also request that funding Education for Native Hawaiians and Alaska Native Education Equity be restored and increased as part of the overall 5% increase proposed under Title VII above.

Strengthening Tribally Controlled Colleges and Universities: The Committee recommends that funding for Tribal Colleges and Universities be restored and increased to \$35 million in FY 2009 to fund basic development and construction grants. Tribal Colleges and Universities serve some of the most impoverished areas of the country, yet are the most poorly funded post-secondary institutions. These young institutions have dramatically increased access to higher education for American Indians, but are in great need of

additional funds for infrastructure, facilities, faculty, curriculum development and student services. As noted above, these tribal colleges serve a useful purpose by bringing higher educational opportunities to remote Indian communities, by preparing Indian students for future leadership roles, and by supporting tribal economic endeavors. This recommended amount in FY 2009 will help to bridge the gap that tribal economies experience and to prepare them for advanced competitiveness.

In addition, the Committee disagrees with the proposed eliminations of the following Department of Education programs serving Native Americans, and urges their restoration:

- Education for Native Hawaiians: This program funds supplemental education programs for Native Hawaiian children, such as family-based education, special education, gifted and talented education, higher education, curriculum development, teacher training and recruitment, and community-based learning. This program was previously funded at \$33.3 million.
- Alaska Native Equity Education: This program funds supplemental education programs for Alaska Native children, including educational planning, curriculum development, teacher training, teacher recruitment, student enrichment, and home-based instruction for pre-school children. This program was also previously funded at \$33.3 million.
- Strengthening Alaska Native- and Native Hawaiian-Serving Institutions: This program funds post-secondary programs for Alaska Native- and Native Hawaiian-Serving Institutions to improve and expand their capacity to serve students. This program was funded at nearly \$12 million in FY 2007 and FY 2008.
- Tribally Controlled Post Secondary Career and Technical Institutions: Funds operation and improvement of tribally controlled post-secondary vocational and technical institutions to ensure continued and expanded access to higher education for American Indian students. This program was funded at \$7.5 million in FY 2008.

CONTRACT SUPPORT COSTS FOR BIA and IHS

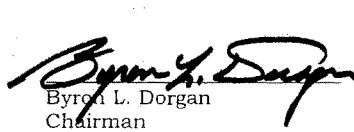
For contract support costs, the FY 2009 budget request proposes \$271.6 million for the Indian Health Service, and \$147.3 million for the Bureau of Indian Affairs. The Committee supports fully funding these costs. Currently, there is an estimated shortfall of \$110 million for IHS contract support costs

and \$40 million for BIA contract support costs that have built up over the years.

These costs provide for the financial and personnel systems and other administrative overhead which support the program administration undertaken by the tribes through contracts and compacts pursuant to the *Indian Self-Determination and Education Assistance Act*. Without full funding, Indian tribes are forced to divert funding from direct services to cover the support costs.

Again, the Committee on Indian Affairs appreciates the opportunity to provide our views on and recommendations for the FY 2009 budget request and budget resolution. We look forward to continuing to work with the Budget Committee to ensure that programs that serve American Indians and Alaska Natives are adequately funded.

Sincerely,

 
 Byron L. Dorgan Lisa Murkowski
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United States Senate

SELECT COMMITTEE ON INTELLIGENCE

WASHINGTON, DC 20510-6475

SSCI #2008-0882

February 20, 2008

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

Dear Mr. Chairman and Ranking Member:

We are writing in response to your letter dated February 6, 2008, requesting a "views and estimates" report on proposed Fiscal Year 2009 spending for programs and activities that fall within the jurisdiction of the Senate Select Committee on Intelligence.

Consistent with the Committee's prior practice, we decline to submit a separate "views and estimates" report for intelligence spending for Fiscal Year 2009 because the budget request for intelligence is considered by the Administration to be classified and is contained within other specified accounts, including those for the Departments of Defense, State, Treasury, Energy, Justice and Homeland Security. Submitting a "views and estimates" report could potentially lead to violations of laws and regulations concerning the handling of national security information.

Should you or your staff have any questions, please contact the Committee's Budget Director, Mr. Lorenzo Goco, at (202) 224-1700.



John D. Rockefeller IV
Chairman

Sincerely,



Christopher S. Bond
Vice Chairman

PATRICK J. LEAHY, VERMONT, CHAIRMAN

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United States Senate

COMMITTEE ON THE JUDICIARY
 WASHINGTON, DC 20510-6275

February 26, 2008

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

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

Dear Chairman Conrad and Ranking Member Gregg:

As Chairman and Ranking Member of the Judiciary Committee, we thank you for the opportunity to express our views pursuant to Section 301(d) of the Congressional Budget Act concerning Fiscal Year (FY) 2009 funding for programs within the Judiciary Committee's authorizing jurisdiction.

The Administration's proposal provides an overall \$22.9 billion, an estimated decrease of \$500 million (or 2 percent) below the 2008 Omnibus level of \$23.4 billion. The requests that we are making, as outlined below, show our commitment to ensure adequate resources for essential programs. We urge that these requests be given careful consideration.

State and Local Assistance

The need for State and local resources focused on protecting our communities from violent crime in combination with the resource demands of counterterrorism efforts at all levels of government, continue to strain the nation's State and local law enforcement agencies. It is essential that the budget provide the funding necessary to sustain and build the crime fighting capacity of State and local law enforcement through proven and effective law enforcement grant programs.

The President's FY 2009 budget proposal provides \$1 billion for State and Local Law Enforcement grants, a 63 percent decrease (\$1.6 billion) from the current FY 2008 Omnibus level. In addition to this significant decrease in funding, the Administration again proposes to restructure Justice grants by combining more than 70 existing grant programs with diverse purpose areas into four consolidated grant programs.

Because the Department has failed to provide detailed draft authorizing language suggesting how this consolidated program would be structured and which authorized programs it will include, it is unclear whether the grant conditions, priority considerations, and grant administration structures that exist under current law would be retained under the proposed consolidated grant program.

The Administration seeks to justify the combination of these grant programs by noting that a consolidated program will “eliminate earmarks and formulas and improve the ability of States, localities, and Tribes to respond to increases in violent crime by better targeting funds to key criminal justice priorities.” We recognize the need for flexibility and streamlining of Federal grant programs in order to ensure adequate funding and optimum efficiency, however we believe Congress is better equipped to address such comprehensive restructuring through authorizing legislation. Nonetheless, added flexibility will not make up for the significant cut in resources. We strongly oppose the elimination of specified funds for individual authorized grant programs and request that the Committee fund these programs at their authorized levels. We urge the Committee to fund the following programs:

Community Oriented Policing Services (COPS) - The COPS Program, which enables local communities to substantially increase the number of law enforcement officers interacting with the community and encourages innovative crime prevention programs and new law enforcement technologies, is a resounding success. Since 1995, COPS has awarded \$11.3 billion in grants to law enforcement agencies, funding more than 118,768 new law enforcement officers in over 13,000 communities in all 50 States. Community policing and the outstanding work of so many law enforcement officers have played a vital role in our crime control efforts. With crime rates rising and the FBI transitioning agents from crime to counter-terrorism, we need to provide more, not less, support for State and local law enforcement. Additionally, significant progress in the reduction of rural and small city violent crime rates made in the 1990s has stalled, and reversed, as a result of those affected areas being unable to sustain and increase their police forces due to budget constrictions. Funding provided through this program to put more law enforcement on the streets has had a measurable effect on violent crime in small cities and rural areas and Congress should increase its investment in this regard.

The President’s budget proposes to consolidate the COPS program into the Byrne Public Safety and Protection Program, which the Administration proposes to fund at \$200 million. The proposal consolidates the COPS grant program with dozens of other programs, which would result in enormous competition among potential grantees for inadequate resources. If enacted, this would jeopardize COPS grants for the COPS Law Enforcement Technology Program and the Reduce Gang Violence Program, and would require drastic reductions in funding for equipment and support staff grants on which State and local law enforcement agencies rely to carry out their crime-fighting duties. The President’s proposal would also jeopardize some of the State and local programs to upgrade criminal records, a DNA initiative, and an offender re-entry program. The Violence Against Women and Department of Justice Reauthorization Act of 2005 (PL 106-192) authorized the COPS program at an amount of \$1.047 billion annually through

FY 2009. We strongly oppose the reduction in funding that would be caused by the consolidation of COPS into the consolidated "Byrne Public Safety and Protection Program," and request that the COPS program be funded at its authorized level for FY 2009.

Edward Byrne Justice Assistance Grants (EBJAG) - In the President's FY 2009 budget proposal, the Byrne Justice Assistance Grants have been consolidated into one fund, totaling \$200 million, which represents a cut of \$150 million from the President's proposed consolidation in FY 2008. In the FY 2008 omnibus, the EBJAG programs alone were appropriated \$170 million. The Administration's consolidated Byrne Justice Assistance Grants program would include other State and local law enforcement programs that are not currently contained within JAG. Therefore, if enacted, the consolidation would require more State and local law enforcement officials to compete for fewer funds. As Chairman and Ranking Member of the Judiciary Committee, we strongly oppose the consolidation of these programs, which our local communities rely upon. JAG programs make grants to States to improve the functioning of the criminal justice system, with emphasis on violent crimes and serious offenders, and to enforce State and local drug laws. These programs are essential in preventing and reducing crime nationwide.

As part of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) Congress streamlined the Justice Assistance Grants and the Local Law Enforcement Block Grants (LLEBG) programs into one program authorized at \$1.095 billion for 2006 "and such sums as may be necessary for each of the fiscal years 2007 through 2009." As Chairman and Ranking Member of the Judiciary Committee, we oppose the Administration's current proposal to make further consolidations of these longstanding and successful programs on which many of our local communities rely. We strongly urge that JAG be funded at levels authorized for FY 2006.

Violence Against Women Act (VAWA) - In 2005, Congress reauthorized the Violence Against Women Act (Public Law 109-162), which continues to be a tremendous success in providing essential and lifesaving programs to end sexual and domestic violence. Nearly 25 % of U.S. women report that they have been physically assaulted by an intimate partner during their lifetimes, and 1 in 6 have been the victims of attempted or completed rape. The cost of intimate partner violence exceeds \$5.8 billion each year, \$4.1 billion of which is for direct medical and mental health care services.

The Violence Against Women and Department of Justice Reauthorization Act of 2005 authorized \$795 million to aid victims and survivors and to prevent domestic violence, dating violence, sexual assault, and stalking. In his budget proposal for FY 2009, the President requests a consolidation of all DOJ-administered grant programs and requests a total of \$280 million for funding for these VAWA programs, which is \$515 million less than authorized in the law.

Full funding for VAWA's programs and services is essential in preventing violence and repairing the lives of victims. Cornerstone grant programs such as "STOP" (Services, Training, Officers, Prosecutors), the Grants to Encourage Arrest and Enforce Protection Orders, the Sexual Assault Services Program for victims of rape and sexual assault, the Transitional Housing Program for domestic violence survivors, and the Rural Domestic Violence and Child Victimization Grants deserve full funding at their authorized levels of \$225 million, \$75 million, \$50 million, \$40 million, and \$55 million, respectively and we strongly oppose the consolidation of these programs into a single competitive grant fund.

Bulletproof Vest Partnership (BVP) - The Bulletproof Vest Partnership Grant program plays an essential role in distributing lifesaving bulletproof vests to law enforcement officers serving in the front lines nationwide. We opposed the President's proposal in FY 2008 to eliminate this important program, and we once again strongly oppose the President's proposal to do the same this year. The BVP program was reauthorized as part of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162). That law authorizes \$50 million per year through FY 2009 for this successful program that protects the lives of State and local law enforcement officers. In fact, the BVP is so successful that since 1999 it has provided law enforcement officers in 11,500 jurisdictions nationwide with nearly 500,000 new bulletproof vests.

The Bulletproof Vest Grant Partnership Act of 1998 was established in a response to multiple tragedies involving law enforcement officers. In the tragic Carl Drega shootout in 1997 on the Vermont-New Hampshire border two State troopers who did not have bulletproof vests were killed. The Federal officers who responded to the scenes of the shooting spree were equipped with life-saving body armor, but the State and local law enforcement officers lacked protective vests because of the cost. In June of 2003, a bullet pierced the body armor of Officer Edward Limbacher of Pennsylvania's Forest Hills Police Department, critically wounding him, and demonstrating the structural weakness of many of the bulletproof vests that the Federal Government had helped to fund.

Bulletproof vests are fundamental to the protection of State and local law enforcement officers, but, as the incident in Pennsylvania proved, are subject to deterioration over time and periodically require replacement. Moreover, State and local law enforcement officers are increasingly called upon by the Federal government to assist in the national effort to protect the nation against terrorism, and we believe that Federal assistance should be commensurate with the evolving responsibilities of State and local law enforcement. Ensuring that all law enforcement officers have access to body armor is a fundamental component of this effort. We request that this important program be funded at its authorized level of \$50 million for FY 2009.

Juvenile Justice - We strongly oppose the President's proposal to consolidate existing juvenile justice grant programs into a consolidated Child Safety and Juvenile Justice Grant Program. Several proven and effective programs would be undermined by consolidation into a single, loosely defined program.

The Administration justifies the combination of these grant programs by noting that a “single, flexible” consolidated program can address “multiple child safety and juvenile justice needs.” Congress is better equipped to address such comprehensive restructuring through authorizing legislation, particularly since it is unclear what grant conditions, priority considerations, and grant administration structures would apply to the administration’s proposed unauthorized consolidated program. We strongly oppose the elimination of specified funds for individual grant programs and request that the Committee fund these programs at their authorized level.

Moreover, the President’s consolidated budget proposal would cut funding for juvenile justice programs by 52 percent (\$198 million). These juvenile justice programs have already experienced substantial cuts in recent years, and we should be seeking to improve their funding rather than reduce it even further.

In particular, we are strongly opposed to the President’s proposal to eliminate the Juvenile Accountability Incentive Block Grant (JAIBG) program, which helps State and local governments address juvenile delinquency by, among other things, building new juvenile detention facilities, hiring additional judges and prosecutors, and training law enforcement personnel. In the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162), Congress agreed on a bipartisan, bicameral basis to reauthorize the Juvenile Accountability Block Grant program and authorized \$350 million annually for the program. The President has proposed eliminating the program in each of his last six budgets, but Congress has wisely rejected that call, appropriating \$50 million for FY 2006, 2007, and 2008. We urge the Budget Committee to reject the President’s consolidation approach and allocate funding for this program at the full authorization level.

The President has also again failed to allocate any money for juvenile mentoring programs. Congress wisely appropriated \$9 million for these programs in FY 2007, and an estimated \$66 million in FY 2008 and should again support these worthwhile programs.

The Judiciary Committee is presently working on a reauthorization of the Juvenile Justice and Delinquency Prevention Act. We anticipate that the reauthorization will modernize, expand, and improve the Federal government’s programs assisting States in keeping our children safe and out of the criminal justice system. Our budget allocations should reflect these priorities.

Reserve Fund for Second Chance Act

The Senate Judiciary Committee last year passed the Recidivism Reduction and Second Chance Act, S. 1060. The House passed a companion bill, H.R. 1593, the Second Chance Act, at the end of last year. It is imperative that the full Senate pass this important legislation this year and that the President sign it. To facilitate consideration of this legislation, we respectfully request that the Committee include in its budget a reserve fund for the Second Chance Act. The Second Chance Act focuses on making America safer by helping prisoners turn their lives around. It would fund collaborations between

State and local corrections agencies, nonprofits, educational institutions, service providers, and families to ensure that offenders released into society have the resources and support they need to become contributing members of the community. The bill would require that the programs supported by these grants demonstrate measurable positive results, including a reduction in recidivism. We believe that we should be supporting good programs and demanding results for our Federal tax dollars, as this legislation would mandate.

Mentally Ill Offender Treatment and Crime Reduction Act (MIOTCRA) – This initiative was signed into law in 2004 after receiving unanimous bipartisan support in Congress to address the significant problem of people with mental illness in the criminal justice system. The reauthorization bill, which is currently pending business before the Judiciary Committee, has received bipartisan support as well. MIOTCRA has been instrumental in helping State and local governments to develop initiatives to reduce costs, improve public safety, and allow the alarmingly high number of mentally ill offenders to receive the treatment they need to return to productive lives. The MIOTCRA program is also important to our Nation's efforts to decrease crime and recidivism among mentally ill offenders. MIOTCRA is currently authorized at \$50 million but the reauthorization bill provides \$75 million for this important program. We urge the Committee to fund MIOTCRA at its full level of authorization.

Drug Courts - The Drug Courts program was authorized in the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) at an amount of \$70 million. Drug courts provide an important opportunity for the communities to reduce drug abuse by providing incentives for low-level drug offenders to obtain effective treatment. In FY 2009, the President includes drug courts in the consolidated competitive grant program, which we oppose. We urge the Committee to fully fund the Drug Courts program at its authorized level of \$70 million.

Youth Violence Reduction Demonstration Grant Program - Section 1199 of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) authorizes five demonstration grants for areas with high incidence of juvenile and youth violence, high recidivism rates, and large numbers of at-risk youth. Given the recent surge of violence in America's cities, it is imperative that we encourage State and local governments to develop and implement innovative youth violence reduction programs by funding their initial efforts. We strongly urge this program be fully funded at the level of \$50 million, for which it was authorized in FY 2007.

Combating Crimes against Children

The President's FY 2009 budget proposal requests consolidation of existing child protection grant programs into one, Child Safety and Juvenile Justice Program. We oppose this consolidation and urge the committee to reject attempts to combine these important programs.

In particular, we strongly oppose the elimination of programs under the Missing Children Assistance Act. The Justice Department estimates that 2,200 children are reported missing each day. There are approximately 114,600 attempted stranger abductions every year, with 3,000 to 5,000 of those attempts succeeding. Experts estimate that children and youth comprise between 85 percent and 90 percent of missing person reports. Programs under the Missing Children's assistance act work in coordination with Federal, State, and local law enforcement agencies to provide critical support to our law enforcement agencies in locating missing children.

Missing Children's Programs were funded at \$53 million in FY 08 and targeted for elimination this year. We strongly urge the committee to oppose this consolidation and fully fund programs aimed at combating crimes against children.

We also believe in the importance of funding the programs authorized under the Adam Walsh Child Protection Act of 2006 (P.L. 109-248) (the "Adam Walsh Act"), which was signed into law on July 27, 2006. In particular, we believe that it is important to fund the United States Marshalls Service to aggressively pursue sexual predators and to fund the Bureau of Prisons to implement a comprehensive sex offender management program in prisons. We also urge the Committee to fund Project Safe Childhood, which was authorized at \$18 million for FY 2007, at the authorized levels.

Justice For All Act

The Justice For All Act (JFAA) (Public Law 108-405) reflects years of hard work and is an important piece of legislation that stands to improve the quality of justice for all Americans by harnessing the power of DNA evidence. The Act was carefully drafted and negotiated by Congress with an eye toward creating a bipartisan scheme that addresses the rights of victims, improves forensic testing, reduces the risk of error in capital cases, and strengthens our Nation's criminal justice system. Accordingly, we are disappointed that the Administration has chosen not to fund the JFAA.

The programs in the JFAA should be fully funded in FY 2009, particularly given that this will be the last year of authorized funding for the Act and the JFAA has never received adequate funding in the past. The authorizations under the JFAA for FY 2009 include \$5,000,000 for enhancement of the Victim Notification System, as authorized in section 103; \$28,500,000 for the other victims' programs authorized in section 103; \$151,000,000 for the Debbie Smith DNA Backlog Grant Program, as authorized in section 202; \$102,100,000 for the other DNA programs authorized in sections 303-308; \$20,000,000 for the Paul Coverdell Forensic Sciences Improvement Grant Program, as expanded by Section 311 of the JFAA; \$5,000,000 for the Kirk Bloodsworth Post-Conviction DNA Testing Grant Program, as authorized in section 412; and \$75,000,000 for the Capital Representation and Capital Prosecution Improvement Grants, as authorized in section 426.

The JFAA represents a strong bipartisan achievement and was an important step forward to improve our criminal justice system. It deserves all necessary funding. Therefore, we recommend full funding for the JFAA and its programs.

Crime Victims Fund

The President's FY 2009 budget proposal once again requests the removal of \$2.024 billion from the Crime Victims fund to the General Treasury. As in the past, we respectfully request that the Committee continue to oppose proposals to rescind all amounts remaining in the Crime Victims Fund at the end of FY 2009, and allow those amounts to remain in the fund for the use as authorized by the Victims of Crime Act (VOCA) (PL 98-473).

Since its enactment more than 20 years ago, VOCA has been the principal means by which the Federal government has supported essential services for crime victims. VOCA created the Fund so that fines, forfeitures, and assessments paid by Federal criminal offenders—not taxpayers—generate the revenue used for grants to State crime victim compensation programs, direct victim assistance services and services to victims of Federal crimes. Congress intended that these funds be held in trust to carry out these important purposes.

More than 4,400 agencies nationwide provide critical services to nearly four million victims of domestic violence, sexual assault, child abuse, drunk driving, elder abuse and all other types of crime annually. These agencies rely upon VOCA grants to aid victims in paying for medical care, mental health counseling, lost wages and support, and funeral and burial costs through State crime victim compensation programs that supplement State-funded benefits with VOCA grants.

In FY 2000, Congress began limiting the amount of Fund deposits that could be obligated each year. This was in response to fluctuations in Fund deposits in order to "ensure that a stable level of funding will remain available for these programs in future years." That same year, Congress amended the law to ensure all receipts remain in the Fund for obligation in future fiscal years. These steps created a balance in the Fund for use in years when the deposits fell below the annual cap. These services are essential to numerous victims' assistance programs in every State. Every State has programs that would be affected or discontinued if this rescission is allowed to stand.

The FY 2009 cap request is \$590 million, which would mean a cumulative cut in assistance grants of \$156 million (45%) since 2006. With the cuts sustained in both FY 2007 and FY 2008 and the continuation of administrative charges taken by the Department of Justice from underneath the cap, the cap needs to be raised this year to get State assistance grants back to the FY 2006 level.

We urge you to refrain from adopting the President's rescission proposal and to continue the retention of all deposits in the Crime Victims Fund. Rescission of this vital funding

source would leave zero dollars available at the beginning of FY 2009 and would create a disastrous situation for providers of victims' services.

National Instant Criminal Check System (NICS)

On December 19th, 2007, both the Senate and House of Representatives took an important step toward improving the effectiveness of the National Instant Criminal Background Check System (NICS), which is administered by the Federal Bureau of Investigation (FBI). At the end of the first session of the 110th Congress, both chambers unanimously passed the NICS Improvement Amendments Act of 2007 (H.R. 2640). On January 8, 2008, the President signed the bill into law (PL 110-180).

The NICS database houses those public records that disqualify individuals from purchasing a firearm pursuant to 18 U.S.C. §§ 922(g) & (n). Currently, States vastly underreport disqualifying public records to NICS. The result is that the Federal database housing disqualifying records, which licensed firearms dealers query when making a sale, fails to fulfill its goal to prevent firearms purchases to disqualified individuals. This failing was acutely realized in the tragedy that took 32 lives at Virginia Tech on April 16, 2007.

The NICS Improvement Amendments Act of 2007 provides several State grant programs to give States strong incentives to begin improving the NICS system, and the bill also provides penalties if States do not meet certain compliance standards. Given this approach, it is vitally important that NICS be fully funded at its authorization levels, so that States will not later be punished without being given the resources to correct the system. The authorizations under the NICS Improvement Amendments Act of 2007 for FY 2009 include \$125 million for grants under the National Criminal History Improvement Program, as authorized by Section 103 and \$62.5 million for grants to improve automation and transmission of court dispositions, as authorized by Section 301. In an effort to strengthen the partnership between States and the Federal government in achieving an effective system to prevent firearms purchases by individuals prohibited from doing so under Federal law, the Committee requests that the authorizations in PL 110-180 be fully funded in FY 2009.

Big Brothers Big Sisters and Boys and Girls Clubs of America

The Big Brothers Big Sisters and Boys and Girls Clubs of America organizations are unique and valuable resources, which Congress has recognized by authorizing the missions of these organizations. In the Consolidated Appropriations Act of 2008, Congress provided a \$70 million appropriation for "mentoring programs". We believe, however, that both organizations deserve dedicated funding at their authorized levels.

Big Brothers Big Sisters - Subtitle A of Title VI of the Adam Walsh Child Protection and Safety Act of 2006 (P.L. 109-248) (the "Adam Walsh Act") recognized the ability of youth mentoring to make a positive impact in the lives of at-risk children by authorizing the Office of Juvenile Justice and Delinquency Prevention to make grants to Big Brothers

Big Sisters of America for use in expanding capacity and serving youth. The Administration's Budget once again does not include any funding under this authority. We encourage the Administration to capitalize on the positive potential of the Big Brothers Big Sisters mentoring program by providing resources under the authority of the Adam Walsh Act at its full authorized level.

Boys and Girls Clubs of America - Boys and Girls Clubs across the country are a proven success in supporting our Nation's young people and promoting leadership. Congress has authorized funding for the Boys and Girls Clubs through 2010, and has consistently appropriated funds in recognition of the organization's success in discouraging youth gangs, drug abuse, and violence in communities across the country. Nowhere does the Administration's budget specifically mention the Boys and Girls Clubs of America. In order to continue its work on behalf of the nation's young people, this funding is critical. We therefore request that the Budget Committee fund the Boys and Girls Clubs of America at its authorized level (PL 108-344) for FY 2009 of \$95 million within the DOJ budget for State and local law enforcement assistance.

Regional Information Sharing System (RISS)

RISS serves as an invaluable tool to Federal, State and local law enforcement agencies by providing much-needed criminal intelligence and investigative support services. It has built a reputation as one of the most effective and efficient means developed to combat multi-jurisdictional criminal activity, such as narcotics trafficking and gang activity. Without RISS, most law enforcement officers would not have access to newly developed crime-fighting technologies and would be hindered in their intelligence-gathering efforts.

We must ensure that RISS can continue current services, meet increased membership support needs for terrorism investigations and prosecutions, increase intelligence analysis capabilities and add staff to support the increasing numbers of RISS members. In both FY 2007 and FY 2008, Congress appropriated \$40 million for RISS. The President's budget proposal includes \$34 million for this critical program. Therefore, we urge the committee to fund RISS at a level no less than the enacted FY 2008 amount.

Reserve Fund for Gang Abatement and Prevention Act

The Senate last year passed the Gang Abatement and Prevention Act of 2007, S. 456. We hope that the House will pass this important legislation this year. To facilitate consideration of this legislation, and particularly those vital provisions which fund effective prevention programs and collaborations between law enforcement and effected communities, we respectfully request that the Committee include in its budget a reserve fund for the Gang Abatement and Prevention Act. The bill will provide resources necessary to adequately support the officers who combat gang violence on a daily basis and the organizations that work to keep children out of gangs. It will be particularly important to fully fund the bill's initiatives to support collaborative law enforcement and community prevention efforts, including funding of civic groups pursuing innovative prevention programs that truly work to reduce gang violence.

Federal Bureau of Investigation (FBI)

While we support many of the proposed increases in the FBI's budget, we remain concerned that some of these resources may not be used effectively and efficiently. In particular, we continued to be concerned about the adequacy of funding for traditional law enforcement. For example, the Administration has proposed adding 280 counter-terrorism agents and 271 intelligence analysts to its workforce in FY 2009, but has asked for no new criminal law enforcement agents or support for criminal agents. While it is appropriate for the FBI to prioritize counter-terrorism work, traditional law enforcement, such as violent crime, public corruption, and corporate fraud require some attention as well, and simply putting all new resource into one area may create an imbalance that threatens to undermine some of the core mission of the FBI. This problem is again one of the top management challenges at the Department of Justice according to the Office of Inspector General (OIG), and will be the subject of careful review by the Judiciary Committee.

We also remain concerned about the FBI's troubled efforts to modernize its information technology (IT) program since September 11, 2001. In past years, the Justice Department's Office of the Inspector General (OIG) has issued several audit reports on the FBI's latest IT modernization program, known as Sentinel. In August 2007, the IG issued its latest audit of Sentinel reporting on the completion of phase one of four in the program. The IG found that certain elements of the Sentinel program would be delayed, and found some cost overruns for the program, suggesting that the program will need continued monitoring to ensure it accomplishes its goal of creating a functional IT system for the FBI. While supportive of funding for Sentinel, the Judiciary Committee is committed to conducting vigorous oversight of the FBI to ensure the Sentinel program remains on budget and on schedule.

The Judiciary Committee will also pursue oversight of additional budget-related matters at the FBI. For example, we will continue to examine whether the FBI has been successful in developing, training, and retaining its growing workforce of intelligence analysts. Last year, an OIG audit of the FBI's programs for hiring and training intelligence analysts showed some improvement over an earlier audit, done in 2005, but also identified to challenges for the FBI in improving its cadre of intelligence analysts.

Another area that may require additional attention in the near future is the FBI's National Name Check Program (NNCP). The NNCP reportedly receives between 3.3 and 3.5 million name check requests annually. Of these, more than 1.5 million are related to immigration cases from the Department of Homeland Security, followed in volume by requests from the Office of Personnel Management and the State Department. Although 90% of these checks are reportedly completed within 30-60 days, the remaining 10% can take years to complete. The difficulties in resolving this ongoing backlog remain a concern for Members of Congress, given that the delays have an adverse impact both on national security and the timely processing of immigration benefits such as naturalization applications.

Civil Rights

The Department of Justice plays a vital role in prompt enforcement of our civil rights. We support an increase in funding for the Civil Rights Division and an increased focus on the core mission of the Division to safeguard civil rights, including the prosecution of hate crimes, deterrence of the victimization of migrant workers, combating police misconduct, fighting housing and employment discrimination, eliminating discrimination against persons with disabilities, guarding voting rights, protecting victims of trafficking, and protecting fundamental opportunities.

The Department's Civil Rights Division was created by Congress 50 years ago at the height of the civil rights movement. Since then, it has stood at the forefront of America's march toward equality, though there are reports that departures of expert career staff, notably those in the office that reviews "pre-clearance" petitions under Section Five of the Voting Rights Act, are threatening the ability of the Division to carry out its mission. In our recent oversight hearings, we have noted concern about the politicization of the Division's hiring practices and its movement away from a focus on enforcing core civil rights protections for minorities, including laws that protect against discrimination in the workplace, schools, voting booths, and elsewhere. Information available to Congress and in recent news reports underscores this decline in the number of traditional civil rights cases filed by the Division, particularly in the important areas of hate crimes and voting rights, a disturbing attrition of experienced attorneys from the Division, an increasing diversion of the Division's resources to non-civil rights issues, and a shift away from the Division's traditional focus on ensuring voter access. When he signed the Voting Rights Act Reauthorization and Amendments Act into law in 2006, the President promised to enforce it vigorously. We hope that he does so in this election year in order to give meaning to the civil rights laws that give the government the authority to fulfill constitutional guarantees.

While we are encouraged that the proposed budget this year shows a slight rise in estimated pending cases in 2007 and 2008, the case numbers still significantly lag behind the numbers of just a few years ago. The FY 2005 budget showed 9,678 pending matters at the beginning of 2003, compared with 5,215 cases at the start of 2006 and an estimated 6,220 cases at the beginning of 2008. Thus in the beginning of 2008, there are about a third less cases pending as there were at the beginning of 2003. This could have significant negative implications over time with respect to our civil rights laws.

State Criminal Alien Assistance Program (SCAAP)

Enacted as part of the Violent Crime Control and Law Enforcement Act of 1994, SCAAP reimburses States and localities that incur costs for incarcerating undocumented criminal aliens. SCAAP is administered by the Office of Justice Programs' Bureau of Justice Assistance and funding for the program has been appropriated by Congress annually since 1995. For FY 2008, notwithstanding the Administration's proposal to eliminate the entire program, Congress appropriated \$410 million. However, the calculated awards

cover only a portion of the costs that State and localities must incur to house undocumented criminal aliens and are then further reduced based upon available funding. In 2005, for example, actual awards were only 36% of calculated awards.

For the past several years, we have been troubled by the Administration's proposal to eliminate SCAAP, leaving State and local governments to cover the additional expenses for illegal alien incarceration, in the face of explicit Congressional will to the contrary. Indeed, in 2006, Congress amended the INA to specifically authorize SCAAP funding through FY 2011 at a maximum level of \$950 million. (*See* INA § 241(i)(5)(c).) The increasing number of illegal aliens in the United States—estimated in the millions—coupled with the fact that a percentage of these aliens commit felonies while present in our country, causes many of our State and local governments to spend part of their already-scarce resources on the prosecution and incarceration of these criminal aliens. The SCAAP program was initially established because of the overriding principle that protecting the Nation's borders from illegal immigration is the responsibility of the Federal government. States and localities have no other option but to house these individuals, and, without necessary Federal funding, this is very similar to an unfunded mandate. In addition, as a 2002 DOJ audit report suggests, with properly conditioned grants, SCAAP is more than reimbursement, it is an important tool in securing critical State and local cooperation in the Institutional Removal Program, which is designed to identify and process removable criminal aliens while they are still in custody so that they may be promptly removed upon completing their sentence. We therefore request that SCAAP be funded at least at the level appropriated for FY 2008.

Office of Inspector General (OIG)

The Office of Inspector General (OIG) plays an important role in oversight and improvement of the Department of Justice's functions, and will play a crucial role in the coming year to restore confidence in the Department of Justice. The OIG has responsibility for many pending investigations, including matters relating to the removal of U.S. attorneys and alleged politicization in the Department of Justice's hiring process for career employees; a follow-up review of the Federal Bureau of Investigation's use of national security letters; a review of the Department's involvement with the National Security Agency terrorist surveillance program; and a review of the FBI's involvement in and observations of detainee interrogations in Guantánamo Bay, Iraq, and Afghanistan. In addition, the anticipated passage of new Foreign Intelligence Surveillance Act legislation will likely include new oversight responsibilities for the OIG. These reviews and the OIG's continued oversight are essential to restoring the independence and integrity of the Department of Justice.

In FY 2007, the OIG budget was frozen at the previous year's funding level and as a result the OIG has had difficulty meeting its growing oversight and investigative responsibilities. Last year, approximately 15-20 positions remained unfilled even as the OIG's workload substantially increased. This year the President's budget calls for a 7 percent increase in the OIG budget to add 16 positions, including 2 attorneys, but this would simply restore OIG to last year's proposed authorization and provide no additional

resources for its new reviews and oversight obligations. Of particular note, the President's budget includes \$1.2 million for new counter-terrorism oversight, and this allocation clearly needs to be increased just to meet the OIG's current and new obligations in this vital area of oversight. We would recommend that the budget for new counterterrorism oversight be increased to \$3 million and the adjustments to the base budget request be increased to \$5 million above FY 2008.

Freedom of Information Act (FOIA)

A key component of the Open Government Act of 2007 (P.L. 110-175), which was recently signed into law by the President, is the creation of the Office of Government Information Services (OGIS). Among other activities, OGIS will mediate disputes between agencies and FOIA requestors, review agency compliance with FOIA and house the newly created FOIA ombudsman.

The Administration's FY 2009 budget requests that the responsibilities of OGIS be transferred to the Department of Justice and funded through the Department of Justice's General Administration Salaries and Expenses appropriation (Section 519 of Title V of the Department of Commerce; p. 239 of the Appendix). This proposal is contrary to both the explicit text of the OPEN Government Act as well as its legislative intent. The legislation sought to make the FOIA ombudsman independent of the Department of Justice, which represents agencies sued by FOIA requestors. The placement of OGIS in an agency other than the Department of Justice was intentional to both enhance the office's independence and to avoid any real or perceived conflicts of interest. The current budget proposal would allow the Department of Justice to both mediate FOIA disputes and defend against them in court, if litigation ensued. We strongly oppose the inclusion of OGIS in the Department of Justice. We urge the Committee to reject the Administration's recommendation to transfer the responsibilities of OGIS to the Department of Justice.

Secret Service

Cyber and identity crime investigations conducted by the Secret Service are essential to protecting our Nation's financial and telecommunications infrastructure. Funding is needed to support the highly successful operations of the Secret Service's Electronic Crimes Task Force (ECTF) initiative – an initiative that has attracted broad, bipartisan support from Congress since passage of the USA PATRIOT Act of 2001. Financial fraud and identity crimes committed both domestically and abroad, continue to plague our Nation's critical financial infrastructure. One of the most effective means of combating organized criminal elements and the criminal abuses of technology, both in the U.S. and abroad, is through the use of the Secret Service's ECTFs. The ECTFs are a proven, resounding success, creating groundbreaking partnerships between Federal law enforcement, their local police and prosecutorial partners, and the private sector and academia. These task forces, strategically placed throughout the country, have become the primary conduit for cooperation between the Federal government and the private sector in the prevention, detection and investigation of electronic crimes. We urge the

Committee to increase funding for this highly successful program by at least \$5 million to continue an effective law enforcement program and training of special agents.

Funding is also important for the Secret Service for electronic crimes investigative training. Such training is imperative for the basic investigations of computers and electronic crimes, in advanced network intrusions, and in the forensic examination and preservation of digital evidence.

Funding should also be directed at electronic investigative operations. Technological advances offer domestic and transnational criminals new avenues to exploit our financial infrastructure vulnerabilities. Identity crime, credit card fraud and bank fraud are now being routinely committed on the Internet. Through its investigations, the Secret Service identifies systemic weaknesses in the financial, telecommunications, and other critical infrastructures. The information gathered will provide private industry and the public the ability to identify vulnerabilities and prevent or minimize future attacks.

Finally, funding should be directed at programs to collect and analyze criminal intelligence. The Secret Service serves as a central repository for the collection of data related to identity theft, credit card fraud, bank fraud, and telecommunications fraud. Developing technologies and trends in the financial payment industry provide information that may be used to enhance the Secret Service's capabilities to prevent and mitigate attacks against the financial and telecommunications infrastructures.

Cyber Crime and Identity Theft

Cyber crime and identity theft investigations are essential to protecting our Nation's financial and telecommunications infrastructure and the privacy of all Americans. Funding and staffing resources should also be directed at electronic investigative operations involving data breaches and the theft of sensitive personal data contained on government and private sector computers.

Identity theft, one of the most common forms of cyber crime, is a major concern among State and local law enforcement agencies. There is a critical need for the Federal government to take a leading role in establishing a national strategy to combat identity theft. We urge the Committee to fully fund any initiatives aimed at fighting cyber crime, and particularly those undertaken by the electronic crimes task forces of the United States Secret Service.

Copyright Royalty Board (CRB) and the Copyright Royalty Judges

The Copyright Royalty and Distribution Reform Act of 2004 replaced copyright arbitration royalty panels with the Copyright Royalty Board (CRB), composed of three appointed Copyright Royalty Judges. The Librarian of Congress swore those three judges into office on January 11, 2006. The CRB took over the adjudication of royalty rates for compulsory licenses under the Copyright Act, conducting proceedings that, for example, set rates to be paid by entities ranging from cable companies to webcasters for their use

of copyrighted content as they deliver video and music programming. The CRB is also involved in adjudicating disputes about how these payments are distributed to copyright holders.

Because the benefits of compulsory licensing flow almost exclusively to the licensees and the public, we believe the cost of administering the licenses should not be paid exclusively by the copyright holders. The law creating the CRB made clear that funding was to be made out of public funds and not out of the Copyright Office account (17 U.S.C. 803(e)(1)(B)). Thus, to implement that provision, we urge that the CRB receive full and mandatory funding, in order to permit this important work to be accomplished. Thus, the Committee requests that the budget resolution contain mandatory funding to fund the CRB at: \$1,350,000 for FY 2009; \$1,400,000 for FY 2010; \$1,450,000 for FY2011, \$1,500,000 for FY 2012, and \$1,550,000 for FY 2013. Note that mandatory funding for the CRB at \$1,300,000 per year for fiscal years 2006 through 2010 was passed by the full Senate in late 2005 in section 8004 of S. 1932, but the provision was dropped in Conference. The allocation of funds by your Committee for this purpose would provide the funding needed for the Senate and the House to pass legislation based on the text of section 8004 (of S. 1932, as passed by the Senate in the 109th Congress) except with annual increases in funding of \$50,000 per year, starting with \$1,350,000 for FY 2009; and ending in FY 2013.

U.S. Patent and Trademark Office

We commend and support the President's request to increase funding for the United States Patent and Trademark Office (PTO). In the President's FY 2009 budget proposal, the PTO would receive \$2 billion to be drawn from their fees. This funding would provide critical resources to the PTO, which currently faces an overwhelming backlog of patent applications. In order to cut down on backlog and increase patent quality the agency needs the full allocation of resources to hire more examiners and staff members. We urge the Committee to fully fund the PTO and to prevent the diversion of fees from the agency to other governmental bodies, as proposed in the President's FY 2009 request.

Intellectual Property Enforcement Fund

In the January 2008 "Report to the President and Congress on Coordination of Intellectual Property Enforcement and Protection," the National Intellectual Property Law Enforcement Coordination Council notes that "[p]iracy and counterfeiting threaten individual artists and inventors as well as our small businesses and our most entrepreneurial industries. It also poses major health and safety risks to American consumers." As such, there is a critical need for the Federal government to take a leading role in protecting intellectual property rights in order to prevent billions of dollars in losses due to piracy and mitigate health and safety risks from trade in counterfeit goods. We urge the Committee to fully fund any initiatives aimed at fighting intellectual property theft, particularly those undertaken by the Department of Justice for intellectual property rights enforcement. The Intellectual Property Enforcement Act of 2007, S. 2317, authorizes \$12 million for each of fiscal years 2009 through 2012 for improved

investigative and forensic resources for intellectual property rights enforcement, and an additional \$10 million for the FBI and DOJ to hire and train additional agents and prosecutors to investigate and prosecute criminals for intellectual property crimes.

The Federal Judicial System

The Committee recognizes the essential role that an independent Federal judiciary plays in our constitutional system of government. The Committee understands that Federal judges have no control over the number of cases filed in Federal courts and have little flexibility in how quickly these cases must be handled. The judiciary's workload is heavily influenced by national policies initiated in the Executive and Legislative Branches.

The Federal judiciary requested an appropriation of \$6,721,191,000 for FY 2009. These funds when combined with non-appropriated funds (such as fees) represent a 7.6 percent increase in overall available funding when compared to the previous fiscal year. The requested appropriation includes funding to hire additional court support staff to address the most critical workload needs of the courts, including immigration enforcement and sex offender enforcement. Congress continues to devote more and more resources to the law enforcement efforts of the Departments of Justice and Homeland Security, and these efforts generate a considerable workload for the courts. The Judiciary's FY 2009 budget requests a modest increase in order to allow the courts to address this workload. Over the last decade caseloads began to steadily outpace court staffing levels and, to date, the courts have not had the resources needed to catch up.

Last year the Committee favorably reported a court security improvement bill (S. 378). The Senate passed a compromise version of the House bill in December and it became law last month. The judiciary's appropriations request includes a \$4.1 million increase for investments in court security such as court security systems and equipment and additional U.S. Marshals Service personnel.

Despite the Administration's public support of a significant increase in judicial salaries, there is no money allocated to this change in the Administration's budget. The Committee recently reported a bill to increase the salaries of Federal judges (S. 1638) which would provide a 29% pay raise. This is the same increase that the Judiciary Committee in the House of Representatives recently approved. The Congressional Budget Office has not yet issued an official cost estimate for this legislation but the Committee understands that the leaders in both chambers are working with the Office of Management and Budget to locate an appropriate offset.

Looking ahead, there is a need for new Federal judgeships to address the judiciary's increasing caseloads. Since 1990, case filings on Federal appellate courts increased by 55 percent and case filings on Federal district courts rose by 29 percent. In 2006, the weighted number of filings in district courts, which takes into account an assessment of complexity, were 464 per judgeship, well above the Judicial Conference's standard. The same year, the national average circuit court caseload per three-judge panel approached the record number of 1,230 cases, recorded a year earlier. The Committee intends to

consider legislation during this session that would add additional judgeships to the Federal district and circuit courts to address this shortfall.

It is critical that the judiciary receive its full funding request in FY 2009.

* * * * *

Thank you again for allowing us to share our views and estimates for FY 2009. We look forward to working closely with you on this and other issues.

Sincerely,


PATRICK LEAHY
Chairman


ARLEN SPECTER
Ranking Member

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United States Senate

COMMITTEE ON
 RULES AND ADMINISTRATION
 WASHINGTON, DC 20510-6325

February 28, 2008

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

Dear Kent and Judd:

This responds to your letter dated February 5, 2008, regarding the views and estimates submission under the jurisdiction of the Rules and Administration Committee for the Fiscal Year 2009 budget.

I reviewed the President's Budget for FY09 regarding the Committee's Legislative Branch accounts. I do not anticipate major changes for the purposes of the budget resolution.

However, this is not the case with respect to the Committee's legislative priorities on election reform. In light of the escalating costs of the 2008 caucus, primary and general elections for President and Congress, the Committee seeks \$683 million dollars in unfunded payments to the States for the federal election administration and technology requirements under Title III of the Help America Vote Act ("HAVA"), P.L. 107-252.

To ensure that Congress did not impose an unfunded mandate on the States, HAVA authorized nearly \$4 billion in requirements payments to the States over three fiscal years. To date, Congress appropriated over \$3.2 billion to States, but failed to appropriate over \$609 million in HAVA requirements payments, \$74 million in disability access grants, and \$20 million in voting technology improvement grants. This unfunded shortfall of \$703 million adversely impacts the States' ability to fully comply with the Act by purchasing reliable and secure voting systems, improving statewide voter registration lists, and educating poll workers and voters on voting procedures.

Senators Conrad and Gregg

February 28, 2008

In the past, the Budget Committee has recognized the partnership commitment between the federal and state governments and provided significant funds for implementing HAVA. In the last three fiscal years of FY06- FY08, the budget resolution provided negligible funding to the Election Assistance Commission for payments to the States. As a result, only \$30.1 million was enacted in FY06 under H.R. 3010 (P.L. 109-149), only \$16.2 million in FY07 under H.J. Res. 20 (P.L. 110-5), and only \$21 million with an additional \$115 million passed by the House for election reform payments in FY08 under H.R. 2764 (P.L. 110-161).

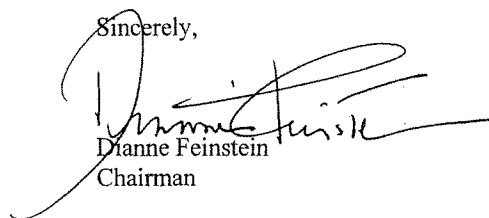
The Congressional Budget Office's FY09 views and estimates provide a total inflation-adjusted baseline of \$127 million dollars for election reform programs, approximately 3% over the FY08 appropriation. This amount is negligible. If sufficient funding is not appropriated, it will further undermine our citizens' confidence in the integrity of the final results of our elections and our form of participatory democracy. It is Congress' obligation to help ensure federal elections are accurate, reliable, secure, and transparent.

I recommend \$703 million in unfunded appropriations in the FY09 budget resolution amount instead of the views and estimates baseline of \$127 million. In the past, funding for election reform requirements has been included in the discretionary appropriations in the general government function for the Election Assistance Commission.

Consistent with Section 207(e) of the 2008 budget resolution, the Committee reviewed its jurisdictional programs, including its Legislative Branch accounts. The Committee has determined that there are no expenditures that appear to rise to the level of "waste, fraud, and abuse" for program spending.

Thank you for your assistance and continuing support. If you require additional information, please do not hesitate to contact me or have your staff contact my Rules Committee staff – Howard Gantman, Staff Director, Veronica Gillespie, Elections Counsel, or Adam Ambrogio, Counsel.

Sincerely,



Dianne Feinstein
Chairman

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United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

February 22, 2008

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

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

Dear Kent and Judd:

As the Chairman of the Committee on Small Business and Entrepreneurship, I submit the following views and estimates on the President's Fiscal Year (FY) 2009 budget request for the Small Business Administration (SBA or Agency) and other matters under the Committee's jurisdiction in compliance with section 301(d) of the Congressional Budget Act. I thank you for considering the Committee's views as you prepare the FY 2009 budget and for your support last year, which helped result in the first increase in SBA's funding since FY 2001.

FY 2009 Budget Request Overview

The President has requested \$657 million in new budget authority for the SBA's FY 2009 budget, including \$174,369,000 in new funding for disaster loans and their administration. Excluding disaster funding and earmarks, the Administration proposal is a 3.4 percent reduction from the FY 2008 enacted level. Despite the seemingly small decrease, the impact is great because it exacerbates years of cuts. In aggregate, the Small Business Administration has been cut by 28.2 percent if we *exclude* disaster loan funding and earmarks since the President took office in 2001. If you take into account inflation as well, the reduction from the FY 08 enacted level if the FY 09 Presidential request is implemented would be 5.5 percent, and the reduction from FY 2001 would be 41 percent.

The President's budget request shows no recognition of the country's economic woes and the positive effect that the small business community (which in the past 15 years has created 93.5 percent of all net new jobs) could have on our troubled economy. For example, as a result of the President's cuts, SBA's technical assistance portion of the Microloan program (which counsels borrowers) is eliminated, thus shifting the burden to its other entrepreneurial development programs. However, all of those programs (save one, which is level-funded) are cut and, therefore, hardly in the position to take on additional duties. Because of this restructuring fewer microloans will be made, which actually worsens the current credit crunch.

The cuts in the President's FY 2009 budget request are unwarranted, and the proposals are unworkable. I respectfully request that as you prepare the FY 2009 budget resolution, you consider restoring a minimum of \$241,561,000 to SBA programs, bringing total available funds to \$356,750,000.

(See attached chart for funding by program)

Microloan Programs

As with last year, President Bush recommends a controversial proposal to make the microloan program self-financing by raising the interest rate that the intermediaries pay, and to eliminate completely the microloan technical assistance program that supports it. Some will argue that zero-subsidy is better than the President's proposals in 2004, 2005, and 2006 that eliminated both parts of the SBA microloan program, but in reality this proposal is just as bad. If the intermediaries don't get technical assistance grants to cover the cost of their counseling to the microloan borrowers, they will get out of the program, thereby ending the microloan program. There is no reason to change the structure of this very successful program, which has had only two losses to the government since it started in 1992. As many on the Budget Committee know, the microloan and microloan technical assistance grant programs were designed to work together by using a non-profit organization as an intermediary between the SBA and the business. The intermediary gets a loan from the SBA, and uses that money to make loans to micro-businesses in the local community. They then counsel the businesses to help them succeed, thereby increasing the chances that the businesses are able to repay the loan, and therefore the intermediary is able to repay the SBA.

The budget proposal eliminates the technical assistance portion of the program and proposes to counsel the borrowers through the SBA's other entrepreneurial development programs, such as Small Business Development Centers (SBDCs), Women's Business Centers (WBCs), and SCORE, even though, as discussed later in this letter, the President not only doesn't provide funding for them to take on the extra clients, but he actually cuts SBDCs 10 percent, WBCs almost 9 percent, and freezes funding for SCORE. Aside from funding problems, the proposal is unworkable. The intermediary, not SBA's other counseling partners, is on the hook for these loans and must set aside money in a loan-loss reserve account to cover potential losses. Without the funding from SBA to cover the cost of the technical assistance, and therefore protect their investment, intermediaries will not participate in the SBA microloan program. And, of course, the counseling partners (SBDCs, WBCs and SCORE) are not willing to set aside ten percent of their funding in a loan loss reserve account to guarantee repayment of the loans. The current program structure is the most effective and fiscally sound. We need a budget that will genuinely support this program because even in good times, microloans are the least likely credit to get made in the private sector, and the credit crunch will only exacerbate the problem. Instead of eliminating it, I request \$20 million for technical assistance grants to microlenders and that \$3.6 million be provided to support a program level of \$31 million.

I also disagree with the Administration's request to eliminate for the eighth year all funding for its other microloan program, the Program for Investment in Microentrepreneurs (PRIME). Unlike any other SBA program, the PRIME program provides highly in-depth and intensive, one-on-one business counseling and training, and is targeted to help very low-income families. While access to credit is vital to micro-entrepreneurs, for low-income individuals there is often a severe gap between their business experience and the experience needed to be deemed credit-worthy. Receiving PRIME technical assistance can fill that gap and help them become successful in business. In addition to need, the PRIME program is a good return on the investment. The International Labor Organization estimates that the return on investment in micro-enterprise development (through programs such as PRIME and the Women's Business Centers) ranges from \$2.06 to \$2.72 for every \$1 invested. Given the importance, need, and economic benefits of PRIME, I request full funding of \$15 million.

The SBA continues to argue that these programs are expensive, but support for microlending here at home is modest compared to the money we spend internationally to help small businesses in other countries. In 2005, the United States spent more than \$200 million on microloan programs in other countries. In 2006, more than \$54 million in microloans were disbursed in Iraq, according to U.S. Ambassador Khalilzad. And as part of the 2007 supplemental request for funding the war in Iraq, the Administration requested about \$160 million for micro-credit programs. If we are going to fund micro-credit programs to help small businesses in other countries, we should also fund them in America, to help our own small businesses.

SBA's 7(a) and 504 Loan Guaranty Programs

For the sixth year, the President has proposed zero funding for the SBA's largest small business loan program, 7(a). In addition, the President is proposing to raise the 7(a) lender fee by about five basis points, from .49 to .55. This is the wrong time to be raising the fees. By all accounts – the 2008 Economic Report of the President, the Federal Reserve Board's quarterly Senior Loan Officer Opinion Survey, and SBA's own lending data – the subprime market crisis has spread to small business lending, making it harder and more expensive for small businesses to get loans. So far this fiscal year, the number of loans made through the SBA's largest loan program, the 7(a) loan guaranty program, dropped 14 percent compared with the same period last year, and dollar volume fell six percent. These figures are especially alarming because, historically, SBA loan activity has *increased* when the conventional credit market has tightened. Given this downward trend, the question becomes, what can we—Congress and the Administration—do to help reverse it and provide small businesses with the credit they need? Instead of raising fees, a good place to start would be reducing fees. For borrowers, a reduced SBA fee means more money in their pockets for capital investment. For lenders, it provides an incentive to finance the small businesses that are so vital to our economy. Although the Administration is reluctant to acknowledge the problem, the SBA's product has become too expensive in recent years, which exacerbates the financial troubles facing banks, and has caused lenders to cut back on 7(a) lending or abandon it for other, more cost-effective loan products. I propose \$15 million to negate the need for raising the lender fee.

I also propose \$80 million to reduce fees overall and provide funding for the Administration to implement and carry out two 7(a) pilot programs that are designed to increase access to capital to veterans and to small businesses looking to invest in energy efficient technologies. These pilot programs passed Congress with bi-partisan, bi-cameral support, as part of the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act (PL 110-186) and the Energy Independence and Security Act of 2007 (PL 110-140). These provisions make SBA's loans more affordable by reducing the borrower's fee 50 percent.

For the SBA's 504 Loan Guaranty program, I request funding to offset the President's budget proposal to run the program at a negative subsidy rate and to reduce fees. The 504 loans have been performing well and the budget proposes to reduce two of the participant fees, however, the request is not enough to keep them at zero subsidy. That means the SBA will be running the 504 loan program at a *negative* subsidy rate, returning almost \$1.4 million to the Treasury. The Administration could further reduce fees on borrowers and lenders, but does not believe there is enough money at stake to do so. I disagree with them and will pursue the necessary legislative change, which will require money in the budget if enacted. The Administration's approach has caused outrage among the Certified Development Companies that partner with banks to make 504 loans; they believe it is inexcusable for the Administration to keep this money. In addition to restoring fairness in fees, and compliance with the law, it is also important to try and reduce fees to encourage small business lending for those firms that are expanding and therefore creating jobs. Lending through the SBA's 504 fixed asset loan program, which had grown significantly over the past few years, has suddenly gone flat. As stated above, these figures are especially alarming because, historically, SBA loan activity has *increased* when the conventional credit market has tightened. Further, the Federal Reserve Board's quarterly Senior Loan Officer Opinion Survey found that 80 percent of the domestic banks surveyed also reported tighter lending standards for commercial real estate loans—the highest percentage recorded since the Fed began posing the question 18 years ago. Because 504 loans are for fixed assets, like real estate, we should be leveraging this tool to mitigate the credit crunch for small businesses. Consequently, I respectfully request \$25 million to reduce 504 fees and to offset the cost of running the program at a negative subsidy.

Contracting

The President's budget is insufficient to help small businesses learn how to do business with the federal government. The obstacles are particularly great for minorities, women, and veterans. There are several services at the SBA to support small businesses interested in federal contracting, but since 2001 they have been cut or level-funded. This year is no different. The President's budget request for the 7(j) Technical Assistance Program has gone from a high of \$3.6 million in 2002 to \$1.53 million in the current budget request. To better serve under-served businesses I am requesting a funding level of \$10 million for FY 2009. This essential training account provides management training and business counseling to small disadvantaged businesses. I am also requesting \$2 million dollars in budget authority for the HUBZone program. The \$2 million in budget authority is necessary to support the many small businesses that are situated in HUBZones and lack the support to develop.

The President's budget does not request any additional funding for procurement center representatives. The Small Business Administration currently has 51 full-time procurement center representatives (PCRs) responsible for reviewing more than \$400 billion in federal contracts awarded annually throughout the United States. This shortage of staff makes it virtually impossible for them to be effective in advocating on behalf of small businesses with respect to prime contracting opportunities. Consistent with a budget amendment that Senator Snowe and I sponsored last year, I am requesting a total of \$10 million to hire 100 additional PCRs. These PCRs are to be assigned to major procurement centers and are responsible for creating contracting opportunities for small and local firms as well as reviewing potentially bundled federal contracts.

Business Counseling

The President's budget proposal makes significant cuts to important counseling programs at a time of economic uncertainty and a possible recession. Small businesses are often affected earlier and more profoundly than big businesses by economic changes, since they have fewer resources and are often less diversified than large businesses. Counseling programs provide key knowledge and management expertise to help small businesses survive. In order to meet the increased demand, counseling programs need more federal resources, especially after seven years of inadequate funding.

Women's Business Centers Program

The Women's Business Center (WBC) program has for years successfully provided business counseling and assistance to socially and economically disadvantaged women and is now in the process of implementing a new grant program that allows successful, established centers to again apply for matching federal funds. In order to bring back the existing centers, while continuing to fund new centers, it is imperative that the program receive increased funding. However, the President's budget requests \$11.88 million, over one million less than last year and significantly less than the \$16.88 million contained in the FY 08 Senate Financial Services Appropriations bill. Although the \$13 million appropriated by Congress last year was a welcome increase and did provide enough funding for old centers to return to the program for half of fiscal year 2008, it was not enough to fund new centers as well. In order to allow the program to continue to grow, more funding is necessary, and I request \$17.1 million for the program.

Office of Veterans' Business Development

The President's request of \$743,000 for SBA's Office of Veterans' Business Development continues the tradition of underfunding this program, despite growing need for its services and increasing responsibilities. Last week, the President signed into law the Military Reservist and Veteran Small Business Reauthorization and Opportunity Act of 2008, which requires this office to increase the number of Veteran Business Outreach Centers, to implement changes to the

Military Reservist Economic Injury Disaster Loan program and increase marketing of the program, and to make permanent the SBA Advisory Committee on Veterans Business Affairs, in addition to other changes. In order to implement the required changes, while meeting the growing need of returning service members, this office requires the fully authorized funding level of \$2.3 million. Returning veterans have sacrificed on our behalf and deserve the help of the government in returning to civilian life, especially in finding gainful employment.

Small Business Development Centers

In regard to Small Business Development Centers (SBDC), the President again requested \$87.12 million for this program — a 9 percent cut or \$10 million less than was appropriated for FY 2008. Although Congress's increase last year was a welcome relief, years of flat or reduced funding have forced SBDCs to reduce staff which has led to a decline in counseling hours and number of clients counseled beginning in 2004 and 2003, respectively, and continuing today. However, clients of SBDCs continue to show the value of the program — creating seven times more jobs than a non-SBDC client business and experiencing sales growth three times higher. In addition each federal dollar spent leads to \$2.28 returned to the federal treasury in increased tax revenue. In order to adequately fund this program and return it to 2001 funding levels, I request a \$110 million funding level for FY 2009.

Small Business Energy Efficiency Program

In addition, I am requesting \$5 million for the Small Business Energy Efficiency Program created in the Energy Independence and Security Act of 2007. This program will help small businesses adjust to rising costs of energy by improving efficiencies. Based on a successful program in Pennsylvania, the program will strengthen small businesses, while also saving the environment for future generations.

SCORE

By utilizing a cadre of over 11,000 experienced volunteers, SCORE provides expert training to hundreds of thousands of entrepreneurs and small business owners each year at very low cost. Since its creation, SCORE has assisted more than 7.2 million entrepreneurs, including over 400,000 in FY 2007 alone. However, the President has requested only \$4.95 million -- the seventh year of flat or reduced funding for this program. Last year, SCORE received \$4.95 million, \$500,000 less than in past years, and it is struggling to adjust to increasing costs with no increase in funding. Although the volunteers are free, the costs of space and new training programs, such as those available online, continue to increase and SCORE needs a minimum of \$7 million to begin reversing the affects of years of underfunding.

United States Export Assistance Centers

According to the Commerce Department, each additional \$1 billion in exports generates 14,000 U.S. jobs. And these jobs pay 18 percent more, on average, than non-trade-related jobs. Therefore, the \$2.1 billion in exports that the SBA United States Export Assistance Centers (USEAC) staff facilitated in FY 2006 generated about 30,000 new high-paying American jobs in that one year. Unfortunately, SBA has withdrawn the line item for this program, which reduces transparency and makes it difficult to discern the program funding trend, versus administrative expenses. Although the President's request of \$6.430 million is a slight increase over past funding request, this does not reverse the years of flat funding, and the program still has fewer finance specialists at the USEAC hubs today than in 2000 (16 today versus 22 in 2000). This directly harms small businesses wishing to export goods and services. In order to return the program to the 2001 levels, I request that \$8 million be provided for the program.

Native American Outreach

The President's FY 2009 budget proposes to fund the Native American Outreach Program at \$730,000. I respectfully request the FY 2009 Budget Resolution provide \$2 million for the Native American Outreach Program. This is the only SBA program tailored to meet the needs of the Native American community. According to a report released by the U.S. Census Bureau in February of 2006, the "three year average poverty rate for American Indians and Alaska Natives [from 1998-2000] was 25.9 percent higher than for any other race groups." With unemployment as high as 50 percent and poverty rates well above the national average, Native American communities need a commitment from the federal government that we will help them build sustainable economic opportunities.

New Markets

The President requested no new funding for the New Markets Venture Capital Program, which provides venture capital and technical assistance to firms with high-growth potential in high-unemployment areas, both urban and rural. The lack of support from President Bush is not unusual, given that, in eight years, he has never requested money for this program. However, it is hard to understand given that the Administration has proposed an initiative to help similar firms with similar components. The "Emerging 200 Initiative" would provide grants to organizations to deliver *capital and counseling* and contracting assistance to companies in inner cities that show growth potential in high-unemployment areas. This program initiative has overlap with many programs that exist at the SBA, including New Markets Venture Capital program. I agree with the President that we need to invest in companies in these markets, but, as I said last year, when we were in a similar situation with the President's proposed "New Markets *pilot* program," we should also build on the programs that already exist. The New Markets Venture Capital program, according to information provided at a roundtable in our Committee this summer, is ahead of even the Agency's expectations in success. As with years past, I respectfully request that you restore funding for the New Markets Venture Capital (NMVC) program that was rescinded in the FY2003 Omnibus Appropriations Act Conference Report:

\$10.5 million for guaranteed debentures, and \$13.75 million in grants for NMVC technical assistance.

Office of Technology

Efforts to strengthen American competitiveness through small businesses begin with the SBA's Office of Technology, which administers and monitors the implementation of both the Small Business Innovation Research Program (SBIR) and the Small Business Technology Transfer Program (STTR) programs government-wide. As these programs have grown, the responsibilities of the Office have increased, such as to monitor government-wide compliance with the SBA's SBIR and STTR Policy Directives, to carry out the Federal and State Assistance program and the Rural Outreach program, and to carry out the President's Executive Order 13329, *Encouraging Innovation in Manufacturing*. At the same time, the budget and staff for this Office have decreased. More specifically, since FY 1991, the programs have more than doubled, growing from \$500 million to about \$2 billion a year, yet, the budget for the Office of Technology has been cut by more than half. According to the SBA's 'Historical Summary, Office of Technology,' in 1991, the Office of Technology had a budget of \$907,000 and 10 positions. Today, the Office of Technology has a budget of \$41,000 and 5 positions.

Consequently, there has been inadequate oversight of participating agencies to meet their 2.5 percent requirement and other compliance violations that have put at risk significant small business research and development dollars. For example, at the Missile Defense Agency, at risk was \$75 million in FY 2002 and \$93 million in FY 2003, and at the Air Force in FY 2005, at risk was \$175 million. Congress intervened and made sure the agencies awarded all the funds for SBIR awards instead of diverting the funds to other programs. Further, the lack of staffing has made it impossible for the Office of Technology to finish a pending rule from December 2004 regarding eligibility for the SBIR program. The rule is extremely controversial, pitting businesses majority owned and controlled by venture capital firms against small high-tech firms, and has interfered with Congress's efforts to reauthorize the program before it expires at the end of September. Consequently, we need the SBA to finish the relevant follow-up analysis of the comments and information they collected through public comment and public hearings and issue a final rule. To give the Office of Technology the resources it needs, I respectfully request \$500,000 to add at least two additional FTEs and cover the cost for oversight, outreach, travel, and maintenance of its databases.

Elimination of Line-Item Funding

I am concerned that the President's FY 2009 Budget proposal request continues to eliminate line-item budget authority for the 7(j), HUBZones, Native American Outreach, and Office of International Trade (USEAC) programs. I am strongly opposed to the elimination of line-item funding for these critical entrepreneurial development programs. The elimination of line-item budget authority limits transparency and reduces the authority of this Committee, the public, and the Appropriations Committee to ensure that the funds allocated to a specific program are applied to that program in an appropriate manner.

Thank you for the opportunity to comment on the FY 2009 budget request as it affects programs within the Committee's jurisdiction, and thank you for your steady and long-standing support of small business assistance. I look forward to your continued support and to working with you to develop this portion of the Budget Resolution for FY 2009 so that it has reasonable funding of \$356,750,000 for SBA programs.

Sincerely,



John F. Kerry
Chairman

BUDGET REQUEST FOR THE SBA -- FISCAL YEAR 2009

SBA Programs	President's Request	Committee's Request	Differential
Veterans Programs	\$743,000	\$2,300,000	\$1,557,000
7(j) Technical Assistance Programs*	\$1,530,000	\$10,000,000	\$8,470,000
Small Business Development Centers	\$87,120,000	\$110,000,000	\$22,880,000
SCORE	\$4,950,000	\$7,000,000	\$2,050,000
Women's Business Centers	\$11,880,000	\$17,100,000	\$5,220,000
Native American Outreach*	\$730,000	\$2,000,000	\$1,270,000
Office of International Trade (USEAC)*	\$6,430,000	\$8,000,000	\$1,570,000
Microloan Technical Assistance	\$0	\$20,000,000	\$20,000,000
Microloans	\$0	\$3,600,000	\$3,600,000
PRIME Technical Assistance	\$0	\$15,000,000	\$15,000,000
Procurement Center Representatives	\$900,000	\$10,000,000	\$9,100,000
HUBZone*	\$906,000	\$2,000,000	\$1,094,000
New Markets Debentures	\$0	\$10,500,000	\$10,500,000
New Markets Technical Assistance	\$0	\$13,750,000	\$13,750,000
7(a) Loans	\$0	\$95,000,000	\$95,000,000
504 Loans	\$0	\$25,000,000	\$25,000,000
Office of Technology	n/a	\$500,000	\$500,000
Small Business Energy Efficiency	\$0	\$5,000,000	\$5,000,000
Total	\$115,189,000	\$356,750,000	\$241,561,000

*The President did not request direct funding. He eliminated the line items and proposed funding through general operating budgets.

JOHN F. KERRY, MASSACHUSETTS, CHAIRMAN
OLYMPIA J. SNOWE, MAINE, RANKING MEMBER

CARL LEVIN, MICHIGAN
TOM HARKIN, IOWA
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JOHNNY ISAKSON, GEORGIA

NACMI BAUM, DEMOCRATIC STAFF DIRECTOR
WALLACE HSUEH, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350

February 22, 2008

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

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

Dear Chairman Conrad and Ranking Member Gregg:

As Ranking Member of the Senate Committee on Small Business and Entrepreneurship, I submit the following views and estimates on the President's Fiscal Year 2009 budget request for the Small Business Administration (SBA) and other matters under the Committee's jurisdiction, as directed by Section 301(d) of the Congressional Budget Act.

Small businesses are crucial to our nation's economic growth, creating more than half of nonfarm private gross domestic product each year, paying more than 45 percent of total private payroll, and consisting of 97 percent of all exporters. The Small Business Administration (SBA) is the only federal agency with a mission devoted to helping small businesses get started, survive, and grow. Therefore, it is vital to ensure that the SBA has the necessary funds to fulfill its mission, particularly now, when our economy is so strained.

The Administration has only proposed \$658 million in new SBA budget authority for Fiscal Year 2009. Excluding the Disaster Loan program and accounting for inflation, this represents an unacceptable 27 percent reduction in the agency's core lending and technical assistance programs since 2001. We have an obligation to not only maintain, but to strengthen the SBA's proven job generating programs as well as to improve the overall entrepreneurial playing field for small businesses.

504 Loan Program

The 504 lending program supplies financing through guarantees for real estate and equipment and has a job creation requirement. This program is funded by lender and borrower fees, and I am pleased that these fees have decreased to below their statutory minimums. However, I am very concerned the users of this program will be paying over \$1.3 million more than necessary and the excess fees will be returned to the Treasury. I will be exploring legislation to rectify this situation. I am also concerned that the Administration's proposed authorization level for Fiscal Year 2009 of \$7.5 billion may not be enough to cover demand. I ask the Budget Committee to raise the authorization level to \$9 billion.

The Honorable Kent Conrad
 The Honorable Judd Gregg
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Microloan Program and Microloan Technical Assistance Program

Once again, the Administration proposes to eliminate the subsidy for microloans and to transfer microloan technical assistance services to the SBA's entrepreneurial development programs. The proposal includes increasing the interest rate that the SBA charges to a microlender for an SBA loan from 2 percent below the five-year Treasury rate to 1.06 percent above the five-year Treasury rate. Microloan borrowers have unique credit qualities, collateral, and financing needs that are significantly different from the 7(a) program. The SBA has even stated that a significant number of microloans are accessed by small businesses that face special opportunity gaps and are generally located in rural or inner city areas. These proposed changes to the Microloan and Microloan Technical Assistance Program will make it difficult or even impossible for these borrowers, in Maine and across the country, to secure financing to fund their new or established small businesses. It will increase microenterprise defaults by separating technical assistance from the microlender. The Microloan program is a crucial source of financing for entrepreneurs who have no other available options. Therefore, I request the Budget Committee fund the Microloan Program at \$2 million and that the Microloan Technical Assistance Program be funded at \$15 million.

New Markets Venture Capital Program

Originally enacted in 2000 as a pilot program, the New Markets Venture Capital (NMVC) Program seeks to promote wealth creation in low-income areas. Selected by the SBA through a competitive process, NMVC companies are privately owned and managed for-profit entities. They use their own private capital plus debentures obtained at favorable rates with SBA guarantees for investing. They also provide technical assistance to the low-income enterprises in which they invest, or intend to invest, using private resources matched by the SBA in the form of operational assistance grants. While only six companies have to date received final approval, though 15 were originally contemplated, initial program results have been extremely promising. For example, according to the Community Development Venture Capital Alliance, as of March 31, 2006, the six NMVC companies had invested more than \$13.4 million of patient capital into 29 small businesses and provided more than \$6 million in operational assistance grants to 163 companies.

The "Small Business Venture Capital Act of 2007" (S. 1662), which I cosponsored with Senator Kerry, reauthorizes the NMVC Program and enables the creation of between 10 and 20 new NMVC companies. I ask that consistent with this legislation, the Budget Resolution authorize appropriations allowing the SBA in Fiscal Year 2009, to provide \$37.5 million in NMVC debentures and \$5 million in operational assistance grants.

The Honorable Kent Conrad
The Honorable Judd Gregg
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SCORE

SCORE is a volunteer-based small business assistance network that is both cost-efficient and effective. By utilizing a cadre of nearly 11,000 experienced volunteers, SCORE provides expert training to hundreds of thousands of entrepreneurs and small business owners each year at low or no-cost. In Fiscal Year 2007, SCORE counseled or trained, either face-to-face or online, over 360,000 small businesses.

The Administration has requested to fund SCORE at \$4.95 million, an insufficient amount that would hinder the program from expanding and updating its scope of services. Consequently, I recommend that the Budget Committee fund SCORE for Fiscal Year 2009 at \$7 million so that SCORE can adequately meet the needs of small businesses.

Small Business Development Center (SBDC) Program

The SBDC program is the SBA's largest and most extensive technical assistance program, with more than 1,100 service delivery points nationwide serving over 650,000 small businesses annually. The SBA provides a maximum of 50 percent of the funding for SBDCs with the remainder of the funds coming from non-Federal sources.

The Administration's Fiscal Year 2009 proposal is for \$87.12 million, a \$10 million decrease from the \$97.12 million appropriated in Fiscal Year 2008. I request that the Budget Committee fund SBDCs at \$110 million in order to account for costs of inflation, retain and hire qualified counselors, and to expand services.

Procurement Center Representatives (PCRs)

Small business contractors provide necessary competition that save taxpayers' dollars and provide innovative solutions for the government's needs. In Fiscal Year 2009, the Federal contracting market is expected to exceed \$400 billion. PCRs are placed at major federal procurement centers to review proposed acquisition plans and advocate for more competition in contracting through use of small businesses contractors. PCRs play a vital role in implementing the President's Contract Bundling Initiative. Additionally, PCRs provide small businesses technical assistance in contracting with the Federal government.

The Federal government has never met the government-wide small business statutory goals for Historically Underutilized Business Zones (HUBZones), Women, or Service Disabled Veterans. However, for Fiscal Year 2009, the Administration proposes to fund the same level of PCRs at 66, the same level as Fiscal Year 2008. This number has proven to be woefully inadequate.

The Honorable Kent Conrad
 The Honorable Judd Gregg
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Historically Underutilized Business Zone (HUBZone) Program

The HUBZone program, which gives contracting preferences to firms in economically distressed areas, is a vital tool of urban and rural development. The program has delivered significant Federal contracting opportunities to the areas that need them the most. However, the Federal government consistently failed to meet the HUBZone statutory prime contracting goal every year. Therefore, I request that the Budget Committee fund the HUBZone program at \$10 million.

SBIR/STTR Technical Assistance Grants (Federal & State Partnership and Rural Outreach)

The Federal and State Technology Partnership program (FAST) provides technical assistance to small businesses that compete for government grants and contracts under the Small Business Innovation Research (SBIR) and the Small Business Technology Transfer (STTR) programs. FAST is a competitive grants program that allows each state to provide services that support the SBIR and STTR programs. In the 2000 SBIR Reauthorization Act, Congress created the FAST program to strengthen the technological competitiveness of small business concerns in all 50 states. At that time, Congress also extended the SBIR Rural Outreach Grant Program (ROP), which provides certain states with relatively low participation in the SBIR and STTR programs, an opportunity to receive grants to increase their statewide participation levels in these programs. The Administration proposes zero funding for these programs. Given the crucial value of innovative research for our country, I ask that the Budget Committee fund FAST at \$5 million and the ROP account at \$1 million.

Women's Business Centers (WBC)

The success of women-owned firms is undeniable. In 2006, WBCs generated almost \$2 trillion in revenues and employed more than 12.8 million workers, making them the fastest growing segment of today's economy. In Fiscal Year 2007, WBCs provided counseling and training to approximately 150,000 clients. The Administration proposes funding WBCs for Fiscal Year 2009 at \$11.88 million, a \$1.12 million decrease in funding from Fiscal Year 2008. This would result in no new centers being opened and cuts in funding for existing centers. For this essential program to meet its mandate, I ask from the Budget Committee that the WBC program funding for FY 2009 be increased to \$17.1 million.

Office of Veterans Business Development (OVBD)

The SBA OVBD ensures that the SBA's programs address the needs of small veteran entrepreneurs. The OVBD is aided in its efforts by Veteran's Business Outreach Centers (VBOCs). Since September 2001, over 1.7 million military members have been deployed to defend our freedoms. Although the Administration proposes increasing the budget for OVBD in Fiscal Year 2009 by \$713,000, over appropriations for Fiscal Year 2008, it proposes a line item funding level of \$743,000, in Fiscal Year 2009 for VBOCs. To stem the effects of Guard and Reservist deployments on small businesses and to better assist our nation's veterans, I request that the Budget Committee provide \$2.3 million for the VBOCs.

The Honorable Kent Conrad
The Honorable Judd Gregg
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Affordable Health Insurance

As we prepare for the next fiscal year, small businesses continue to face a crisis when it comes to securing quality, affordable health insurance. Health insurance premiums have increased by 87 percent since 2000, and small businesses are trapped in dysfunctional small group markets that are dominated by a handful of insurance carriers offering few coverage options. As a result, only 45 percent of our nation's smallest employers, with less than 10 employees, are now able to offer health insurance to their employees. For the declining number of small businesses that are actually able to offer health insurance to their employees, sharply increasing premiums are leaving those firms with fewer resources to devote to creating new jobs. I firmly believe that Small Business Health Insurance Plans are a critical solution to the small business health insurance crisis. I encourage the Budget Committee to establish an appropriate budget allocation to accommodate small business health insurance reform legislation, including tax incentives to: (1) encourage more of our nation's smallest businesses to offer health insurance to their employees; (2) provide broad, multi-state pooling mechanisms; and (3) reform dysfunctional small group insurance markets.

Small Business Tax Simplification

In order to help maintain an environment where small businesses can grow and prosper it is essential that small businesses are provided relief from the complex and burdensome tax code. I support the President's proposal to increase and make permanent small business (Section 179) expensing and have introduced legislation, S. 269, that would implement this proposal.

In order to promote small business development, the gross receipts threshold should be increased from \$5 million to \$10 million for taxpayers that will qualify for cash method accounting as provided in a bill that I co-sponsored with Senator Bond, S. 296, as well as allowing small partnerships and S Corporations to elect a taxable year other than the calendar year as provided for in my bill, S. 270. Finally, to provide relief and equity to our nation's 1.5 million retail establishments, I support reducing from 39 to 15 years the depreciable life of improvements that are made to retail stores that are owned by the retailer and have introduced legislation, S. 271, that would implement this proposal. These tax relief and simplification measures would go a long way to reducing the burden on small businesses in complying with the tax code and I therefore urge the Budget Committee to accommodate these proposals.

Small Business Regulatory Reform

Over the past twenty years, the number and complexity of Federal regulations have multiplied at an alarming rate. These rules and regulations impose a much more significant impact on small businesses than larger businesses. A report prepared for the SBA's Office of Advocacy found that in 2004, the per-employee cost of federal regulations for firms with fewer than 20 employees was \$7,647. That was approximately 45 percent more than the \$5,282 per-employee cost faced by businesses with 500 or more workers. I encourage the Budget

The Honorable Kent Conrad
The Honorable Judd Gregg
Page 6

Committee to establish an appropriate budget allocation to accommodate small business regulatory reform legislation.

Thank you for the opportunity to comment on programs within the Committee's jurisdiction. I look forward to working with you to develop a budget resolution that is cognizant of both the Administration's agenda and the need for strong small business programs that help to sustain a dynamic economy. If you have any questions about this letter, please contact me directly or have your staff contact Wally Hsueh, my Staff Director on the Committee, at (202) 224-7884.

Sincerely,

A handwritten signature in black ink, reading "Olympia J. Snowe". The signature is written in a cursive, flowing style.

OLYMPIA J. SNOWE
Ranking Member

JOHN F. KERRY, MASSACHUSETTS, CHAIRMAN
 OLYMPIA J. SNOWE, MAINE, RANKING MEMBER
 CARL LEVIN, MICHIGAN
 TOM HARKIN, IOWA
 JOSEPH I. LIEBERMAN, CONNECTICUT
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 JOHNNY ISAKSON, GEORGIA
 NATOMI BAUM, DEMOCRATIC STAFF DIRECTOR
 WALLACE HUEB, REPUBLICAN STAFF DIRECTOR

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
 WASHINGTON, DC 20510-6350

February 29, 2008

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

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

Dear Chairman Conrad and Ranking Member Gregg:

On February 22, 2008, as Ranking Member of the Senate Committee on Small Business and Entrepreneurship (SBC), I submitted a Views and Estimates letter to the Senate Committee on the Budget for your consideration. Subsequently, on February 27, 2008, the SBC held a hearing on the Administration's Fiscal Year 2009 budget request for the Small Business Administration (SBA). As a result of information garnered during the hearing, I would ask that the requests outlined below be included as part of my February 22nd Views and Estimates letter.

New Markets Venture Capital Program (NMVC)

I am amending my letter of February 22nd to request that the Budget Resolution fund \$8 million in NMVC debentures and \$9 million in operational assistance grants.

Small Business Development Center (SBDC) Program

In addition to my February 22nd request that the Budget Resolution fund SBDCs at \$110 million, I ask the Budget Resolution fund an additional \$10 million for two specific SBDC line items. These consist of \$5 million each for the recently enacted Small Business Energy Efficiency and Veterans Assistance Programs. The Administration's budget request does not propose any funds for these two programs.

Procurement Center Representatives (PCRs)

The Administration's Fiscal Year 2009 budget proposal requests \$6.6 million for 66 PCRs. To provide a more sufficient and adequate number, I request the Budget Resolution fund \$10 million for 100 PCRs.

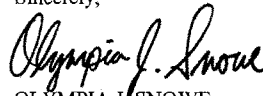
The Honorable Kent Conrad
The Honorable Judd Gregg
Page 2

Office of International Trade Office

In Fiscal Year 2007, 97 percent of all US exporters were small businesses that accounted for over \$400 billion in exports. The Administration's Fiscal Year 2009 budget request proposes to fund the Office of International Trade at \$6.43 million. In order to provide necessary assistance to small business exporters, I ask the Budget Resolution fund \$8 million for the Office of International Trade.

Thank you for the opportunity to amend my comments. I continue to look forward to work with you throughout the budget process. If you have any questions about this letter, please contact me directly or have your staff contact Wally Hsueh, my Staff Director on the Committee, at (202) 224-7884.

Sincerely,

A handwritten signature in black ink, reading "Olympia J. Snowe". The signature is fluid and cursive, with the first name "Olympia" being more prominent.

OLYMPIA J. SNOWE
Ranking Member

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

February 22, 2008

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

Dear Chairman Conrad and Ranking Member Gregg:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the Democratic and Independent Members of the Committee on Veterans' Affairs (hereinafter the "Undersigned Members") hereby report to the Committee on the Budget their views and estimates on the Fiscal Year 2009 (hereinafter, "FY09") budget for Function 700 (Veterans' Benefits and Services) and for Function 500 (Education, Training, Employment, and Social Services) programs within the Committee's jurisdiction, including the Court of Appeals for Veterans Claims. This letter responds to the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction, albeit from the perspective of the Undersigned Members.

I. SUMMARY

The Department of Veterans Affairs (VA) requires, at a minimum, \$4.577 billion in additional funding in FY09 over FY08 to support its medical care operations. Our requested medical services increase is \$2.562 billion over the Administration's request. The total required for all of VA's discretionary accounts is \$6.614 billion over FY08.

For the seventh year in a row, the Administration's proposed budget includes a number of legislative proposals designed to generate additional revenue from fees or savings and deter certain categories of veterans from using the VA system. Just as Congress has done over the past five years, the Undersigned Members unanimously reject each of the following legislative proposals – the increase in prescription drug copayments from \$8 to \$15 for "middle-income" veterans; the annual enrollment fee of \$250 to \$750 for veterans whose families make \$50,000 a year or more; and eliminating the practice of offsetting VA first-party copayment debts with collections from insurance companies.

With respect to benefits, we disagree in particular with the discretionary funding request for staffing at the Board of Veterans' Appeals, education and Vocational Rehabilitation and Employment business lines' staffing, and for programs administered by the Department of Labor.

In addition, we believe that the benefit level of several mandatory programs must be

increased to quell erosion of the benefits over time. We also recommend that Filipino veterans finally get recognition for their heroic service during World War II and be given pensions to aid them in their twilight years.

The projections in the President's budget for discretionary spending in the next 5-10 years are troubling. The VA health care system would be devastated should the Administration's budget for future years become a reality. It is our view that veterans, who have sacrificed for this country, are being asked to carry a disproportionate share of the burden to balance the Federal budget. We believe that the Government can be fiscally responsible and reduce the Federal deficit and debt, without abandoning its commitment to our Nation's veterans.

As the Congress continues to debate the conflicts in Iraq and Afghanistan, including the cost of prosecuting those efforts, we must clearly demonstrate our understanding that the cost of war includes the cost of caring for servicemembers, now and in the decades to come.

II. DISCRETIONARY ACCOUNT SPENDING

A. Medical Services

Policy Proposals

Prescription Drug Co-payment Increase for Priority 7 and 8 Veterans: The Undersigned Members oppose the Administration's proposed increase of the prescription drug co-payment from \$8 to \$15, for projected revenue of \$335 million in FY09 and \$3.7 billion over 10 years. Many Priority 7 and 8 veterans – some earning less than \$28,500 a year – cannot afford to pay nearly double for needed prescription drugs.

Enrollment Fee of \$250 to \$750 for Priority 7 and 8 Veterans: The Undersigned Members oppose the Administration's proposed new enrollment fee of \$250 for veterans with family incomes between \$50,000 and \$74,999; \$500 for those with family incomes between \$75,000 and \$99,999; and \$750 for those with family incomes over \$100,000. This proposal is projected to generate \$129 million in revenue in FY10 and \$1.1 billion over 10 years.

Taken together, these two fee increases would be particularly hard on certain categories of veterans. For example, a family with two veteran wage-earners, each taking an average number of medications and each paying an enrollment fee of \$250, would have to pay nearly \$3,000 in new out-of-pocket costs for VA care if the prescription drug copayment increase and enrollment fee are enacted.

Offset of First-Party Debt: The Undersigned Members oppose a proposed change in law that would eliminate the practice of offsetting VA first-party co-payment debts with recoveries from insurance companies. Many veterans are drawn to VA because of low-cost prescription drugs. Yet, in most cases, acquiring these drugs requires visits to a specialty care provider. Furthermore, many of these veterans are elderly and on a fixed income. While they are not "high-income" by any standard, their incomes are over the VA means-test threshold. While the current

primary care co-payment of \$15 is in line with most private insurance companies, VA's specialty care co-payment is \$50 per visit. That amount is high enough to be an immediate disincentive to seeking medical care from VA if it cannot be paid for by third-party insurance. VA estimates this change would yield \$44 million in increased collections in FY09 and \$415 million over 10 years.

The Undersigned Members also oppose the proposal to return revenue from the above new fees to the Treasury, rather than reinvesting the funds in veterans' health care. That proposal clearly signals that the fees are proposed to address overall deficit reduction and are not intended to support VA health care.

Components of Recommended Increase

1. Current Services (+\$1.995 billion)

Medical care inflation (at an overall rate of 4.63 percent), increases in the costs of goods, and other "uncontrollables" dictate a funding increase of at least \$1.434 billion in FY09 simply to maintain the level of current services. Increased intensity (which encompasses changes in medical care delivery to adjust for more complex care) and utilization of medical services by existing patients also continues to drive costs up as well. The Administration has requested an additional \$534 million in funding in FY09 to meet these latter costs, and we support this request.

2. OIF/OIF Demand and Services (+\$742 million)

For the past five years, VA has significantly underestimated the number of Operation Iraqi Freedom and Operation Enduring Freedom (OIF/OEF) veterans who are likely to seek health care services in succeeding years, and we are concerned that this mistake is being repeated in the FY09 budget. Veterans of these conflicts are now eligible for five years of VA care upon separation from service. While VA estimates that any potential workload from OIF/OEF will be negligible relative to the overall number of new enrollees next year, VA has consistently underestimated the number of OIF/OEF veterans it projects will come for care. By the end of FY08, for example, VA is projecting it will have seen 293,345 total OIF/OEF veterans since the start of the wars; yet its own data from the Health Care Utilization Report provided to Congress for the 4th quarter of FY07 lists the total number of OIF/OEF veterans VA had seen by that time at 299,585. VA is essentially projecting, via its budget submission for FY09, that it will see 6,240 *fewer* patients in FY08 than it saw by the end of FY07.

The Undersigned Members recommend a total funding level of \$742 million to furnish services to OIF/OEF veterans under current law, an increase of \$518 million over FY08. \$432 million would be for direct care and services. The remainder would be to support enhancements to the following areas:

Outreach. VA must undertake a serious effort to reach out to returning servicemembers so that these new veterans will be made aware of the services for which they are eligible. This is especially important with respect to returning members of the National Guard and Reserves. The

Undersigned Members have yet to see an aggressive, nationwide outreach effort made by VA to identify veterans in need of help and to provide services through appropriate mechanisms.

Sufficient resources and energy must be devoted to ensuring that those in need of care receive that care. Congress has done its part already by widening the window for automatic eligibility for care from two years to five years. Additional outreach funding is required to move VA from a passive approach of waiting for returned servicemembers to seek care to a much more aggressive one designed to help prevent suicides and long-term mental health problems and to improve quality of life for veterans. VA must be able to reach these veterans in their communities and ensure they are getting the services and care that they need.

Traumatic Brain Injury and Polytrauma. Traumatic brain injury (TBI) has been described as the signature wound of Operations Iraqi and Enduring Freedom, due to the use of Improvised Explosive Devices. Medical science is only beginning to understand the mental and physical effects of this injury. VA has a responsibility to be at the forefront of TBI research and treatment. The Undersigned Members believe that VA must have adequate staff and equipment to help brain-injured veterans with recovery and rehabilitation, and to return them to an independent existence in their communities when possible.

In recognition of the needs of veterans with traumatic brain and other injuries, Congress directed VA to establish specialized centers for rehabilitative care. The four existing Polytrauma Centers in Tampa, Palo Alto, Minneapolis, and Richmond (a fifth is proposed in San Antonio) are generally regarded as successful. We understand that VA is in the process of expanding comprehensive polytrauma and rehabilitative (including prosthetics when necessary) care to all Veterans Integrated Service Networks to meet the needs of severely injured veterans and their families – and resources must be provided to support this effort accordingly.

We also note that the National Defense Authorization Act of 2008 (NDAA) contained a number of provisions authored by this Committee that seek to address TBI care. We are concerned that the Administration has not adequately budgeted for intensive multi-disciplinary care and case management for veterans with multiple traumas, including TBI. We are also concerned about VA's capacity to provide specialized TBI outpatient care, home-based services, residential rehabilitative programs and long-term care for those more severely injured. We support VA's ongoing efforts to improve their assessments of returning servicemembers for TBI, but we do not believe that the Administration has committed the resources necessary to provide this service.

Assistance to Families. The Undersigned Members believe that families are essential to veterans' recovery and well-being. Indeed, family members are often the primary caregivers for veterans. VA has taken steps to reach out to families in recent years, but much work remains to be done. Legislation reported favorably by the Committee, S. 2162, would require expanded services for families. Pilot programs conducted by VA in locations around the country are expanding outreach and education services for families. As part of the recommendation to meet the needs of OIF/OEF veterans and their families, the Undersigned Members recommend an additional \$100 million to support these efforts.

VA-DoD Senior Oversight Committee. The Joint VA-DoD Senior Oversight Committee (SOC) was created in the wake of the media reports about problems at Walter Reed Army Medical Center to manage the implementation of the many recommendations and requirements from the President's Commission on Care for America's Returning Wounded Warriors, other reports stemming from the problems at Walter Reed Army Medical Center, and the NDAA. No funding has been identified in the President's budget to sustain VA's contribution to this office in 2009. Because the Undersigned Members believe that this is a vital enterprise that must be sustained, we recommend that at least \$10 million be dedicated to this effort in FY09.

3. Rescinding the Ban on Priority 8 Veterans (+700 million)

In January 2003, the Administration halted enrollment of Priority 8 veterans, those veterans with no compensable service-connected disabilities and with incomes above the HUD geographical low-income threshold for their respective counties. The Administration's budget for FY09 assumes that the enrollment ban on Priority 8 veterans will continue.

The Undersigned Members do not accept this assumption and estimate that new resources of approximately \$700 million are needed to restore some form of access for these veterans. Legislation is currently pending in the Senate to open the system up to all Priority 8's. In addition, proposals have been circulating that would allow some subset of currently excluded Priority 8's to enroll. The \$700 million figure is based on VA's own estimate (\$1.4 billion) of what it would cost to reopen the system to Priority 8 veterans, and is prorated to reflect that if the ban is lifted, it will be done in a responsible manner.

We believe that veterans in need of VA care should not be prohibited from enrolling in the system. Indeed, adequate funding should be appropriated to VA so that all veterans who choose to enroll with VA have access to needed care and services. Many of the Priority 8 veterans bring private health care coverage with them and are also subject to co-payments, effectively bringing revenue into the system, thereby offsetting the cost of their care.

The Undersigned Members note that VA's cost estimate for rescinding the ban on Priority 8 veterans would be significantly reduced if the impact of third-party insurance and co-payments for care and prescription drugs were factored in.

4. New Initiatives (+\$579 million)

The Undersigned Members accept the Administration's proposed "new initiatives". While we support each of these initiatives, we believe that more can and should be done – especially in the areas of mental health, readjustment counseling, women veterans, personnel enhancements, and rural veterans' access. The Undersigned Members also support the expansion of many existing initiatives and recommend increases in the specialized services discussed below.

Mental Health. The Undersigned Members are very concerned about VA's capacity to meet the mental health needs of returning servicemembers. For example, while the number of veterans diagnosed with substance abuse problems is increasing, the President's request would cut

funds for substance abuse treatment. Rather than account for growing demand for mental health care services, the budget also projects reductions in inpatient psychiatric and residential care.

We believe that VA needs greater resources for mental health services and recommend \$377 million in additional funding over FY08 levels.

This level of funding would ensure funds remain to support expansion of VA's specialized mental health and substance abuse programs; expand VA's capacity to provide inpatient psychiatric and residential care; provide funds to address family-related needs of returning veterans experiencing distress following their reentry into civilian life; support more effective treatment for post-traumatic stress disorder (PTSD); and advance efforts to prevent suicide among veterans. In addition, the Undersigned Members believe that VA must take a preemptive, proactive approach to assist families dealing with the stresses and challenges caused by servicemembers' deployments to combat zones and their return to civilian life.

Rural Access. The Committee believes that we must continue to modernize VA's beneficiary travel program and bring payments under the program closer in line with today's cost of travel. The conference report accompanying the Consolidated Appropriations Act of 2008 specified that \$125 million of the funds provided for Veterans Medical Services should be used to increase the travel reimbursement rate. In response to that language, the Secretary of Veterans Affairs recently increased the travel reimbursement rate to 28.5 cents per mile. While we are pleased with the rate increase – the first one since 1977 – we believe that with rising gas prices, service-connected veterans merit a larger increase. We recommend that the travel benefit be brought in line with the rate that federal employees are currently paid for their official travel. The cost of doing so would be an additional \$125 million.

We also note that S. 1233, the proposed "Veterans' Traumatic Brain Injury and Other Health Programs Improvement Act of 2007," includes a provision that would strike a provision in current law that allows the Secretary to raise or lower the deductible for reimbursements in proportion to a change in the mileage rate. This would have the effect of holding the deductible to \$3 per a one-way trip.

The Office of Rural Health (ORH) continues to play an essential role on improving care for veterans in rural areas. The resources, education, and support provided by ORH have proven helpful throughout the VA health care system. Demand for the services and support of ORH is likely to grow, given the high number of National Guard and Reserve deployed in Iraq and Afghanistan in recent years, many of whom returned to homes in rural locations. S. 1233, currently pending consideration by the full Senate, would require ORH to make a number of reports to Congress on fee-basis health care and on rural outreach efforts. In light of the greater demands placed on ORH, funding for this office ought to be increased significantly.

The Undersigned Members recommend \$10 million over FY08, \$9 million more than the President's request for ORH in FY09.

Vet Centers. As the conflicts in Iraq and Afghanistan continue, the number of veterans seeking readjustment counseling and related mental health services through Vet Centers will continue to grow. Experts predict that as many as 30 percent of returning servicemembers may need some kind of mental health treatment – from basic readjustment counseling to care for debilitating PTSD. A study published on March 1, 2006, in the *Journal of the American Medical Association*, reported that 35 percent of Iraq veterans accessed mental health care services during their first year at home. VA's own OIF/OEF Health Care Utilization Report from the last quarter of FY07 cited that 40 percent of those who have already accessed VA health care may have mental disorders of some kind. Despite an increase in the number of veterans coming to Vet Centers, the budget for the program has remained relatively flat. We note that legislation to authorize \$180 million in funding for Vet Centers, S. 3421, was by passed by Congress and signed into law on December 22, 2006, as Public Law 109-461.

We recommend that Vet Centers receive a funding increase of \$22 million above FY08 to meet that goal.

Homeless Grant and Per Diem Program. Veterans are disproportionately represented among the homeless population, accounting, according to most estimates, for one in three homeless persons on any given night. VA has a responsibility to help the roughly 400,000 veterans experiencing homelessness over the course of the year. VA's Grant and Per Diem program is effective in creating and aiding local shelters as they help our Nation's veterans by providing transitional housing, vocational rehabilitation, and referrals for clinical services.

We recommend \$23 million in additional resources for this program in FY09 to fully fund it at the \$130 million level that was previously authorized by Congress (Public Law 109-461).

Women Veterans. Women make up a growing segment of the armed services, and thousands have been deployed to Iraq and Afghanistan. VA must be prepared to provide services to these servicemembers in appropriate settings when they return. While some facilities have found innovative solutions to meet the unique needs of women veterans, others are still lagging behind. The Undersigned Members believe that to adequately serve this growing special population of veterans, additional funding is required.

We recommend an additional \$10 million over FY08.

Personnel – Nurses. The Undersigned Members are concerned that the Administration has not adequately budgeted for enough physicians and nurses to meet the projected increase in demand for VA medical care in FY09. The number of physicians, nurses, and all other health professionals currently employed by the Veterans Health Administration (VHA) cannot keep pace with increasing demands on the system. The Undersigned Members believe that resources in this area must be spent on the hiring of additional clinical staff to better meet demand. VA faces a competitive market for health care providers, particularly nurses, and must dedicate additional resources to recruit and retain staff. The Undersigned Members also recommend providing additional funds to support debt relief and scholarship programs for health personnel to promote recruitment and retention efforts.

The Undersigned Members recommend that an additional \$12.482 million be included for these programs, for a total of \$40 million in FY09.

5. Medical Facilities

The Medical Facilities account delineates a specific line of funding for the maintenance and operation of hospitals, nursing homes, domiciliaries, clinics, and all other facilities of the Veterans Health Administration. The Undersigned Members support the Administration's request of \$561 million over FY08, for a total of \$4.66 billion. This amount is \$85 million over the recommendation of the *Independent Budget* for FY09, and the Undersigned Members believe this level of funding is sufficient to keep VA health care facilities in proper condition.

Our overall recommendations [in thousands of dollars] for medical care spending are summarized in the chart below:

Needed Discretionary Revenue Above FY 08 Level (thousands)	
MEDICAL SERVICES	
Current Services	\$ 1,995,000
New Initiatives and Program Expansions	
Mental Health	\$ 376,600
Homeless Grant and Per Diem Program	\$ 23,000
OIF/OEF Veterans	\$ 742,000
Women Veterans	\$ 10,000
Personnel	\$ 12,482
Rural Initiatives	\$ 135,000
Vet Centers	\$ 22,000
Priority 8s	\$ 700,000
Total Medical Services	\$ 4,016,082
MEDICAL FACILITIES	\$ 561,000
Total Recommended For Medical Care	\$ 4,577,082
President's Medical Care Request Over FY08	\$ 2,015,283
Majority Recommendation Vs. Administration	\$ 2,561,799

B. Proposed Discretionary Spending for FY10-FY13

For the second year in a row, the Administration's proposed budget for discretionary spending in future fiscal years would devastate VA health care. The President's budget cuts VA medical care funding for Fiscal Years 2010 through 2013.

We view the current strategy as one that gives in the first year and cuts heavily thereafter, in order to improve the overall appearance of the President's budget. A frozen appropriation

coupled with cuts in other programs would translate to a reduction of services and benefits. The Undersigned Members believe that any budget resolution must reverse these cuts in future years.

C. Medical and Prosthetic Research

The Administration's proposed FY09 budget for VA research is \$442 million, a \$38 million cut from the current year level of \$480 million. This sum cannot sustain current research initiatives or provide the program growth necessary to attract and retain quality research personnel. The Administration's proposal would result in the direct loss of 49 FTE and 294 projects in key areas such as acute and traumatic injury and mental illness. Increased funding is required to sustain current VA research and development program commitments, and to cover inflationary cost increases associated with these commitments. VA must be able to continue addressing the special needs of our Nation's veterans, and continue to recruit and retain the highest quality physicians. We recommend an additional \$75 million over the FY08 level for a total funding level of \$555 million.

D. Grants for State Extended Care Facilities

The State Extended Care Facilities (SECF) grant program assists States in acquiring or constructing State home facilities that intend to provide nursing home care to veterans, as well as in remodeling or converting existing buildings into long-term care facilities. VA can provide up to 65 percent of the total cost of the project, and the States must provide the remaining share of the cost.

This year again, the Administration proposed a significant reduction in funding for this program, requesting \$85 million for SECF grants in FY09. Congress provided the SECF grant program with \$165 million in FY08 – an unprecedented, but very necessary increase. The Administration's budget would essentially cut this program by \$80 million, delaying the many projects that are currently in the queue. Furthermore, new grant proposals from the States continue to increase, in response to an ever-growing population of veterans in need of long-term care.

To award an adequate number of new SECF grants in FY09, the Undersigned Members recommend \$200 million in total funding for FY09, a \$35 million increase above FY08.

E. Major and Minor Construction

The Administration requested only \$472 million for Major Construction in FY09. This amounts to a decrease of \$488 million from the FY08 funding level, despite the fact that there are currently nine major projects underway that are only partially funded. The funding shortfall for all nine projects is \$2.3 billion. The Undersigned Members believe that VA must ramp up its construction process and complete work on the projects it has already started. Total construction costs are continually increasing, and while much of this is due to normal factors in the contracting industry such as cost of materials, the lack of full funding for certain projects has enabled contractors to renegotiate their prices in certain cases.

In addition, the President's budget includes \$5 million for a new land acquisition line item in the Major Construction account. These funds will be used to purchase land as it becomes available in order to quickly take advantage of opportunities to ensure the continuation of a national cemetery presence in areas currently being served. One caveat related to this funding is that all land purchased from this account must be contiguous to an existing national cemetery, within an existing service area, or in a location that will serve the same veteran population center. The Undersigned Members support the National Cemetery Administration's attempt to achieve and maintain its strategic target of serving 90 percent of veterans with a burial option within 75 miles of their homes.

The Undersigned Members recommend that funding for major construction in general be increased by \$1.209 billion, and that the line item for new land acquisition be increased by \$5 million over the President's request to \$10 million in FY09. Therefore, the Undersigned Members recommend a total funding level of \$2.277 for the Major Construction account over FY08.

For Minor Construction, the Administration's request proposed to reduce the account from its FY08 level by \$301 million. The Consolidated Appropriations Act of 2008 provided a very large increase for this account. As is the case with Major Construction, with the queue of projects that VA must complete, along with a \$1.5 billion backlog in Non-Recurring Maintenance projects, funding for Minor Construction must stay at a consistent level. The Undersigned Members recommend a \$4.5 million increase over FY08, for a total of \$635 million in FY09.

F. Office of the Inspector General

The work of the VA Office of the Inspector General (OIG) has made significant contributions to management effectiveness throughout VA. The OIG conducts vital oversight investigations and audits of various aspects of the Department's operations and budget. One recent example of the OIG's work was uncovering serious quality of care issues in the surgical department at the Marion, Illinois, VA Medical Center after reports of patient deaths. Yet, for the third year in a row, the Administration is proposing a decrease in FTE and funding for the OIG. Reductions in staff would severely impair the OIG's ability to identify fraud, waste, and mismanagement, and would result in a decrease in active oversight and in fewer arrests, indictments, and convictions of individuals who prey on VA and our Nation's veterans.

We recommend an additional \$8.4 million above FY08, for a total of \$88.9 million. Funding at this level will allow for an additional 48 FTE to support additional auditors, health care inspectors, and criminal investigators to ensure enhanced quality and safety of VA health care and services.

G. Information Technology

The Administration's budget request includes a significant increase for Information Technology (IT) over FY08. Much of this funding reflects the costs associated with VA's transition to centralized IT management, and the costs associated with the migration of VA's legacy IT systems. However, the request does not include any funding to support the IT initiatives

required by the NDAA, nor those recommended by the President's Commission on Care for America's Returning Wounded Warriors. VA has not defined its plans to fund the joint VA-DoD Electronic Health Record Office, the creation of an eBenefits web portal to serve as a single information source for servicemembers and veterans, or the development cost of a joint VA-DoD inpatient electronic health record system.

The Undersigned Members recommend a \$30 million increase over FY08, for a total of \$2.564 billion to support these new initiatives.

H. Compensation, Pension, and Burial Staffing and Training

The Undersigned Members believe the Administration's request for compensation, pension, and burial staffing in FY09 is a step in the right direction. Congress provided funds for significant increases in FTE in both the FY07 emergency supplemental bill and the FY08 appropriation. The President's budget request of \$944 million for FY09 represents an increase of \$153 million over the FY07 level, and allows VBA to maintain the staffing levels for the Compensation and Pension (C&P) service that were established in FY08. However, while we believe that staffing levels for FY09 are sufficient, we have concerns that the funds available to train the nearly 3,000 new FTE may be insufficient.

Staffing. The President requests 9,886 FTE for direct compensation staffing in FY09. The total number of compensation, pension, and burial FTE in FY09 will be 10,998, a 36 percent increase over the FTE level at the end of FY06. VA anticipates that the productivity of the additional staff will increase throughout 2008, 2009, and subsequent years as the new staff gain experience. For example, VA projects that with the additional FTE it is hiring, it will be able to reduce the pending rating inventory, which stood at 391,593 at the end of FY07, to 368,292 in FY08 and 297,587 in FY09.

Workload. The disability claims workload from returning war veterans, as well as from veterans of earlier periods, has continuously increased since 2000. Annual claims grew 45 percent from 578,773 in 2000 to 838,141 in 2007.

In recent years, VA has consistently underestimated its workload. In FY07 and FY08, VA projected that the trend of increasing claims receipts would cease and the number of new receipts would level off at approximately 800,000 per year. However, 838,141 new claims receipts were recorded in FY07 and VA's projected estimate for FY08 is 854,094 new receipts. VA's projection for FY09, 872,002 claims receipts, appears to be more consistent with current trends than its estimates in recent years. The Undersigned Members continue to urge VA to make accurate projections of its workload so that Congress can provide appropriate staffing to the Department.

Studies have shown that the size of the active duty force is the best predictor of new claims activity. As of September 2007, more than 1.62 million servicemembers had deployed in support of the Global War on Terror, including 451,792 National Guard and Reserve members. In addition, VA's outreach efforts to active duty personnel have resulted in significantly higher claim

rates. Original claims received in 2007 were almost four percent higher than the original claims received in 2006.

In addition, veterans from the Vietnam and Gulf War eras are aging and filing reopened claims in greater numbers. In 2007, reopened claims comprised slightly more than 54 percent of disability claims. Additionally, many veterans receiving compensation have chronic, progressive diseases such as diabetes, mental illness, and musculoskeletal or cardiovascular illnesses. As these veterans age, it can be predicted that they will file additional claims.

Claims received by VA are increasingly complex, and require more time invested in development and rating. In 2007, 26 percent of the compensation workload (58,532 of the 225,173 original claims received) contained eight or more issues. This is an increase of 168 percent since 2000. On a monthly basis, in 2007, VA received an average of 606 claims with eight or more issues cited.

VA estimates that its expanded C&P workforce of 10,998 direct FTE will complete an average of 85.7 claims per FTE in FY 09. This number is down considerably from the average of 98.7 claims per FTE in FY07. We are cautiously optimistic that the quality of claims adjudication will improve as FTE are expected to complete fewer claims per year.

The Undersigned Members will continue to monitor VBA's staffing requirements and output in FY09.

Training. The President's FY09 budget submission indicates that additional staffing will enable VA to improve claims processing timeliness, reduce appeals workload, improve appeals processing timeliness, and enhance services to veterans returning from the Global War on Terror. VA indicates that it plans to accomplish all of this without sacrificing the accuracy and consistency of claims adjudication. This will require an intensive training effort.

VBA has established a broad spectrum of training programs and educational resources, both at VA's Regional Offices and at the Veterans Benefits Academy in Baltimore, Maryland. Veterans Service Representatives (VSRs) and Rating Veterans Service Representatives (RVSRs) are provided three weeks of centralized basic training at the Veterans Benefits Academy. The Veterans Benefits Academy also offers a range of advanced training courses in leadership and management development, as well as computer-based learning tools and satellite broadcasts that bring the Academy's expertise directly to staff desktops.

An important VBA workload reduction initiative for FY08 entails putting new hires through a modified version of the centralized Challenge VSR training program. The modified training would prepare new hires to immediately contribute to burial and dependency claims processing, resulting in an estimated additional 4,000 completed claims in 2008. Throughout FY09, these new hires will complete VBA's Challenge training, introducing them to the more complicated process of compensation claims adjudication. The President requests a total of \$17.2 million for the training of compensation, pension, and burial claims adjudicators in FY09.

The Undersigned Members recommend an increase of \$5 million above the President's request, for a total of \$22.2 million in FY09, to support Departmental training initiatives for claims adjudicators. The Undersigned Members believe that quality should not suffer as timeliness improves.

I. Vocational Rehabilitation and Employment

The Vocational Rehabilitation and Employment (VR&E) Program provides training, education, and other services to enable veterans to obtain and maintain employment after sustaining service-connected disabilities.

The President's FY09 budget request calls for a reduction of 6 FTE for VR&E. The VR&E workload is expected to increase by 2.5 percent in 2008 to 89,672, and by another 2.25 percent in 2009 to 91,690. VR&E anticipates that the impact of service in Iraq and Afghanistan will result in more seriously injured veterans who will likely qualify for the VR&E Program.

The President's request also stipulates that the additional FTE will be allocated toward implementation of the 2004 VR&E Task Force Recommendations, staff for the Coming Home to Work and Process Consolidation initiatives, and contract oversight. VA maintains that implementation of the Task Force recommendations and removing the burden of contract oversight from case managers will allow it to handle the growing caseload. However, it is clear that a reduction in FTE will not aid in handling the increased VR&E workload. Therefore, we believe that an additional 250 FTE -- 50 of whom are contract oversight specialists -- are required.

The Undersigned Members recommend \$32 million above the President's FY09 staffing budget request of \$152 million. This would provide an additional 250 FTE above the President's request, for VR&E to absorb increasing workload and meet additional objectives.

In addition, the Undersigned Members note that the President's FY09 budget indicates that VR&E will continue to grow in the area of increasing partnerships with other agencies and organizations. The resources and energies of many organizations contribute to the reintegration and rehabilitation process, especially those in community-based organizations within close proximity of veterans' homes. We recommend an additional \$25 million above the President's request be made available for these types of partnerships.

J. Education

The VBA's Education Service provides veterans, servicemembers, Reservists, and certain family members with educational resources. Recent legislative changes in the education program for Reservists have increased the complexity of education claims and the resources needed to process them.

The President's FY09 budget request calls for an additional 20 direct FTE for the Education Service over the FY08 level of 971. The Education Service workload is expected to increase by 4.3 percent in both FY08 and FY09. VA expects that this level of direct FTE will

allow it to not only process claims in a timely and accurate manner, but also address some of the deterioration in timeliness experienced in prior fiscal years.

While the President's request for an additional 20 FTE for VA's Education Service is a step in the right direction, we are concerned that this increase will not be sufficient to support the workload associated with the projected increase in education claims, together with the need to improve the timeliness and accuracy of education claims processing. We recommend an additional \$4.8 million, which would support a total of 1,045 FTE for the Education Service, which is 63 FTE over the President's request.

K. Board of Veterans' Appeals

The Board of Veterans' Appeals (BVA) is responsible for making final Departmental decisions on behalf of the Secretary for the thousands of benefits claims presented for appellate review annually.

The President's FY09 request for BVA is for \$64.7 million, which would support 487 FTE, an increase of 21 FTE and \$2.48 million over the current estimate. The Undersigned Members are concerned that the appeals resolution time and BVA cycle time are rising despite an increase in appeals decisions per veteran law judge. Further, these two measures are not expected to improve in 2009.

The Undersigned Members recommend that BVA be provided with \$1.62 million above the President's request, which would provide 13 more FTE to reduce the backlog at BVA, decrease the average days pending, and further improve quality.

L. State Cemetery Grant Program

The State Cemetery Grants Program (SCGP) complements the National Cemetery Administration's (NCA) mission to establish gravesites for veterans in areas where NCA cannot fully meet veterans' burial needs.

We recommend that the SCGP be funded at a level of \$42 million, or \$10 million above the President's request. This increased funding will enable states to establish, expand, and improve their veterans' cemeteries.

M. Department of Labor, Veterans' Employment and Training Service

The Undersigned Members believe that the Department of Labor's Veterans' Employment and Training Service (VETS) should receive an additional \$10 million for its Recovery & Employment Assistance Lifelines (REALifelines) and Vocational Rehabilitation and Employment (VR&E) initiatives. REALifelines provides injured servicemembers and veterans with one-on-one employment assistance to help them transition into the civilian labor force. In FY07, assistance was provided to more than 1,000 individuals including servicemembers, veterans and their families. The VR&E initiative provides employment assistance and counseling at Department of

Veterans Affairs' facilities and through the Transition Assistance Program. We believe that with additional funding, this program can substantially be expanded and extended to meet the very pressing needs of those returning from combat with serious injuries. It should be noted that VETS has never had a line item appropriation for this activity and has funded it from appropriations in Grants to States.

We further believe that an additional \$10 million in Grants to States funding should be available to provide additional services and assistance to the spouses of deployed servicemembers. These funds should also support specific categories of veterans in need of employment and training assistance, such as recently separated veterans, veterans with service-connected disabilities, and homeless veterans. These funds should be used for a combination of additional Disabled Veterans' Outreach Program Specialists (DVOPS) and Local Veterans' Employment Representatives (LVERs), as well as targeted grant programs.

An additional \$5 million should be provided for Federal Administration of VETS for the conduct of a "Hire Heroes" Public Service Announcement (PSA) campaign, as outlined in the Democratic Policy Committee's New Ideas Project report, entitled "The 2007 Fresh 50: Fifty New Policy Ideas for Senate Democrats." This amount would not only provide for the PSA campaign itself, but would also provide resources for additional enforcement activities.

Finally, we recommend that \$750,000 in Federal Administration funds be included for the conduct of a national conference to train VETS employees. VETS has not been able to convene such a meeting since 2004. We believe that this meeting would be an opportunity to improve operational performance within the agency.

The Undersigned Members recommend a total of \$264 million for VETS, an increase of \$25.8 million over the President's budget request.

N. Court of Appeals for Veterans Claims

The United States Court of Appeals for Veterans Claims (CAVC), a legal body independent of the Department of Veterans Affairs and the executive branch, is vested with the authority to review decisions of the Board of Veterans' Appeals (BVA) regarding a veteran's entitlement to benefits offered by VA. The court is empowered to affirm, vacate, reverse or remand decisions made by BVA, as well as compel actions of the Secretary where such action is necessary to bring VA into accordance with the law.

The court's budget request of nearly \$24 million for FY09 is \$1.26 million more than the FY08 level. This increase is attributable to personnel costs for additional staff to meet the challenges in processing an increased workload. During FY06, the court received more case filings than any other year in the court's nearly 20-year history. From FY98 to FY04, the court received approximately 200 case filings per month. In FY05, the number of case filings increased to 289 per month, and in FY06 the average increased to more than 300 per month. This increase continued in FY07 with case filing averaging 387 per month for a fiscal year total of 4,644. This total exceeds, by over 1,100 cases, the highest in court history. This trend is expected to continue

throughout FY09.

In FY08, Congress added funding to the President's request to pay for additional court personnel. The FY09 request is consistent with this staffing increase. The court requests ongoing funding for these seven additional law clerks and secretaries, to support recalled judges, possible Magistrates, and any administrative positions to support the electronic case filing initiative, and other operations.

The Undersigned Members support the court's use of retired judges and therefore recommend that the court's requested funding be provided.

The Veterans Consortium Pro Bono Program requests \$1.7 million, an increase of \$288,156 over the Program's FY08 request. The need for the Program has increased in the past few years, as more veterans seek judicial review. The demand for the Program's assistance has increased steadily: the Program received 742 requests for assistance in 2007 (compared to 696, 545, 318 and 313 in 2006, 2005, 2004, and 2003, respectively). Of those 742 evaluated cases, 209 cases were accepted into the Program, with the remainder being rejected for a variety of reasons.

The Undersigned Members agree with the Program's assessment that the need for their free legal assistance, as a result of increased Board of Veterans' Appeals decisions and the continuing wars in Iraq and Afghanistan, will increase demand for services in 2009 and beyond.

O. State Approving Agencies

For purposes of establishing institutional eligibility for the payment of VA education and training benefits, State Approving Agencies (SAAs) are responsible for the evaluation and approval of programs of education and training within their respective states, including: institutional programs, on-job training, and licensing and certification programs. At a time when the number of veterans enrolled in programs of education is expected to increase, we believe it does not make sense to decrease SAAs' funding in FY09, as proposed in the President's budget, due to the expiration of a statutory ceiling on the amount of mandatory funds available for the program.

We further note that legislation restoring the funding ceiling to \$19 million is contained in S. 1315, the proposed "Veterans' Benefits Enhancement Act of 2007," which has been reported from the Committee and is pending action by the Senate. During the second session of this Congress, we hope to pursue legislation to stabilize funding for SAAs, by funding them through the General Operating Expenses account.

The Undersigned Members recommend a total of \$22 million in FY09 for SAAs, an increase of \$9 million over the amount recommended in the President's Budget.

III. MANDATORY ACCOUNT SPENDING

The Undersigned Members support the budget request of \$46.4 billion, an increase of \$848 million for entitlement programs over the 2008 level. However, there are several areas within this account that require funding of \$218 million beyond what the President has requested.

A. Filipino Veterans

In the sixty-two years since the end of the Second World War, Filipino veterans have worked tirelessly to secure the veteran status they were promised when they agreed to fight under U.S. command during World War II. They were considered United States veterans until that status was taken from them by an Act of Congress in 1946.

Under current law, Filipino veterans are not eligible for pensions, and their surviving spouses are not eligible for death pensions. The Undersigned Members recommend that Filipino veterans and their survivors receive those benefits at specified annual rates: single veterans, \$3,600; married veterans, \$4,500; and surviving spouses, \$2,400. The Undersigned Members recommend that \$26 million be provided to meet this end in FY09.

B. Cost-of-Living Adjustment

The Administration's requested increase in mandatory funds provides for a projected 2.5 percent cost-of-living adjustment in VA compensation benefits in FY09. A 2.5 percent increase is the expected increase estimated in the Consumer Price Index, and is the same as the increase expected for Social Security benefits. Under current law, this COLA is rounded down to the next lowest whole dollar.

VA compensation is sometimes the sole source of income for a veteran and his or her family. We owe it to our veterans to provide them with appropriate compensation, the value of which does not decrease with inflation. The Undersigned Members thus recommend that \$20 million be provided to end the COLA round-down.

C. Burial Benefits

The Federal government has provided varying forms of burial benefits since the Civil War. We are concerned that the continued erosion of the value of monetary burial benefits has resulted in the benefit covering just a small fraction of what was covered in 1973, when VA first provided monetary burial benefits for our veterans.

The Undersigned Members recommend that \$150 million be provided to bring the value of this benefit closer to that established in 1973. Specifically, we recommend an increase in the plot allowance from \$300 to \$745; an increase in the service-connected burial benefit from \$2,000 to \$4,100; and, finally, an increase in the non-service connected burial benefit from \$300 to \$1,200.

D. Specially Adapted Housing Grants

VA provides specially adapted housing grants of up to \$50,000 to severely disabled veterans with service-connected disabilities. Unfortunately, increases to this program have been infrequent, while real estate and construction costs have continued to rise. We recommend an additional \$5 million to increase the amount of these grants to \$60,000.

E. Automobile Grants and Adaptive Equipment

VA provides certain severely disabled veterans and servicemembers grants for the purchase of automobiles. This grant also provides for adaptive equipment necessary for safe operation of those vehicles. When this grant was first established in 1946, it covered approximately 85 percent of the average cost of a new automobile. Over time, Congress adjusted the amount provided to 80 percent of a new automobile. However, lack of further adjustments to this grant have gradually eroded the benefit so that today, the current allowance of \$11,000 represents approximately 39 percent of the average cost of an automobile.

The Undersigned Members recommend that \$17 million be provided in FY09 to increase the allowance to \$22,500, which is 80 percent of the average cost of a new automobile.

F. Educational Assistance Benefits

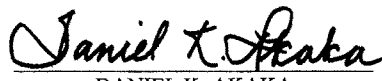
The Undersigned Members view the educational assistance benefits available to active duty servicemembers, members of the Guard and Reserve, and veterans as having exceptional value to individuals as a readjustment benefit. We also recognize that individuals have earned these benefits not only by serving honorably in defense of our Nation, but in some cases, by also making their own contributions through payroll deductions. We also believe that these benefits play a vital role in helping the Armed Forces recruit and retain quality young men and women in the All-Volunteer Force, particularly those serving in the Guard and Reserve.

We anticipate the need for increases in funding available for educational assistance benefits, especially since it appears likely that programs now funded under title 10, United States Code, may be transferred to title 38. In addition, we may seek enactment of legislation that would make a number of overall improvements and enhancements to educational assistance benefits, and that would necessitate an increase in funding for these programs. While we do not, at this time, have any estimate of the cost of such a proposal, we believe that the associated costs are likely to be substantial, and we request that the Budget Committee reflect that potential in the resolution that you bring forward to the Senate for consideration.

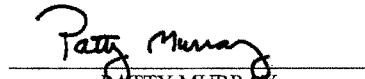
IV. CLOSING

We thank the Budget Committee for its attention to the Undersigned Members' views and estimates on the Fiscal Year 2009 budget. We look forward to working with the Budget Committee in crafting a budget for veterans' programs that truly meets the needs of those who have served our country.

Sincerely,


DANIEL K. AKAKA
Chairman


JOHN D. ROCKEFELLER IV


PATTY MURRAY


BARACK OBAMA


BERNARD SANDERS


SHERROD BROWN


JIM WEBB


JON TESTER

cc: Sen. Richard Burr

DANIEL K. AKAKA, HAWAII
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 JON TESTER, MONTANA
 WILLIAM E. BREW, STAFF DIRECTOR

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
 WASHINGTON, DC 20510
 February 22, 2008

RICHARD M. BURR, NORTH CAROLINA
 RANKING MEMBER
 ARLEN SPECTER, PENNSYLVANIA
 LARRY E. CRAIG, IDAHO
 JOHNNY ISAKSON, GEORGIA
 LINDSEY O. GRAHAM, SOUTH CAROLINA
 KAY BAILEY HUTCHINGS, TEXAS
 JOHN ENSIGN, NEVADA
 LUPE WISSEL,
 REPUBLICAN STAFF DIRECTOR

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

Dear Chairman Conrad and Ranking Member Gregg:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, it is my pleasure as the Ranking Member of the Committee on Veterans' Affairs (hereinafter, "Committee") to submit this letter to the Committee on the Budget on the proposed fiscal year 2009 (hereinafter, "FY09") budget for Function 700 (Veterans' Benefits and Services) programs and for certain Function 500 (Education, Training, Employment, and Social Services) programs.

DEPARTMENT OF VETERANS AFFAIRS

I. General Comments

The principal focus of my letter will be on the largest component of Function 700 spending -- Department of Veterans Affairs (hereinafter, "VA") programs. A significant investment has been made over the past decade in VA programs and services. Through our collective roles in funding and overseeing these programs, the President and the Congress have taken significant steps to honor the service of our nation's veterans and continue to provide them with the benefits and services they need and deserve. Providing resources for the care of our veterans must remain a top priority, particularly now as our nation is at war.

However, providing the appropriate resources for VA is the beginning of our obligations, not the end. It is critical that we also analyze whether the investments made in VA programs and services are translating into better outcomes for veterans. If veterans are not reaching the outcomes they expect and deserve, it is our obligation to try a new approach and find new ways to ensure the effective and efficient delivery of services to veterans. There are three areas in particular that, I suggest, are ripe for this type of scrutiny.

The first area concerns the lack of coordination among programs administered by VA, which may impede VA's ability to fulfill its primary goal to "restore the capability of veterans with disabilities to the greatest extent possible." Although VA has a world-

class health care system, a comprehensive vocational rehabilitation and employment program, and a disability compensation program, it does not use those resources collectively to improve the lives of veterans. Indeed, as the Institute of Medicine concluded last year, "VA has the services needed to maximize the potential of veterans with disabilities, but they are not actively coordinated and thus are not as effective as they could be."

This problem is exemplified by the apparent disconnect between the arm of VA that provides medical treatment (the Veterans Health Administration (hereinafter, "VHA")) and the arm of VA that provides disability compensation (the Veterans Benefits Administration (hereinafter, "VBA")). As you know, VHA is tasked with the prevention and treatment of medical conditions, while VBA is tasked with assessing the severity of service-connected medical conditions through the assignment of disability ratings. One would expect that medical treatment would improve many service-connected conditions so that, at best, those conditions would improve or, at worst, they would slow down the deterioration process. Yet, the disability compensation rolls suggest not only that the population of disabled veterans is growing but that veterans' disabilities are, on average, worsening each year.

To me, this raises questions about whether Congress and VA have placed the proper emphasis on what I believe is the desired outcome for service-disabled veterans -- a restoration of their health or an improvement in their conditions. Therefore, as we proceed through this budget cycle and the remainder of this Congress, we should move away from "business as usual" and make changes that will focus VA's resources -- in a coordinated, comprehensive manner -- on the wellness, recovery, rehabilitation, and restoration of veterans with disabilities.

The second issue I would like to address is the backlog of disability compensation claims at VA. For many years, the VA claims processing system has been plagued by large numbers of pending claims and lengthy processing times. The primary response of Congress has been to provide additional funding for claims-processing staff, leading to a doubling of staff in the past ten years. Unfortunately, money has not been the answer to the problem. In fact, as staffing has been added over the past several years, VA's per-employee productivity goals have trended down and pending inventory levels have trended up. Although I understand that many factors may influence these trends, I think it is time to realize that staffing alone is not a solution to the chronic backlogs. It is time to try new approaches, such as increasing productivity through the use of modern technology and focusing VA's resources where they will be most effective.

The third area I would like to address concerns long-standing, fundamental problems with the disability evaluation system. Under the current system, a servicemember who is found unfit for further military duty may have to go through a lengthy, complex process at the Department of Defense (hereinafter, "DoD") to obtain a disability rating that determines what benefits the servicemember will receive from DoD. Then, the veteran may go through a similar process at VA to obtain a disability rating based on the same outdated rating schedule used by DoD. The VA rating, which often

differs from the DoD rating, determines what benefits the veteran will receive from VA, including compensation for loss of earnings capacity caused by service-related conditions.

For more than five decades, experts have expressed the need to update and modernize this system. In fact, the need for modernization was stressed last year by two distinguished commissions: The President's Commission on Care for America's Returning Wounded Warriors, chaired by former Senator Bob Dole and former Secretary Donna Shalala, and the Veterans' Disability Benefits Commission, chaired by General James Terry Scott. Both of those commissions emphasized the need to eliminate duplicative, confusing functions conducted by VA and DoD; to completely update the VA disability rating schedule; to compensate veterans for any loss of quality of life caused by their service-related disabilities, in addition to compensating any impact on their earnings capacity; and to place additional emphasis on the treatment and rehabilitation of injured veterans.

With young men and women returning home from war with devastating injuries, we simply cannot continue to ignore the need to modernize this system. These brave men and women, who have sacrificed so much for our nation, should have a system in place that will provide them with the benefits and services they need to return to full and productive lives. In the coming months, Congress should act with urgency to implement these common sense reforms and to create a modern, less confusing, and more equitable system for today's wounded warriors.

II. Specific Areas of Focus

The FY09 budget proposal puts a focus on the medical care and disability benefits of our nation's veterans. However, there are several areas where Congress may wish to provide additional emphasis:

1. Medical and Prosthetic Research – The Institute of Medicine issued a report last year indicating that exposure therapy was the only treatment proven to be effective for post-traumatic stress disorder (hereinafter, "PTSD"). The Institute of Medicine also found that the quality of research on PTSD treatment as a whole "has not received the level of research activity needed to support conclusions about the potential benefits of other treatment modalities." With thousands of veterans returning from the current conflicts in Iraq and Afghanistan who may be afflicted by PTSD, it is essential that we bring VA's resources to bear in finding other treatments that may help veterans recover.
2. The Office of the Inspector General (hereinafter, "OIG") – The OIG has been performing well and has conducted many valuable assessments of VA's programs and services. Indeed, over the past year, the OIG has proved itself to be an excellent resource in catching issues early on and conducting follow-up investigations after problems have been detected. OIG produces numerous investigations, audits, facility healthcare inspections, contract reviews, and management reviews, all of high quality. I believe Congress, VA, and our nation's veterans have benefited from all aspects of

OIG oversight, from identity theft incidents and information technology data losses to the investigations of medical facilities. The OIG continues to serve as a primary information source for identifying where VA has deficiencies and where improvements can be made. It is important that they have the resources to continue providing top level service on behalf of our nation's veterans.

3. General Operating Expenses -- The President's request for General Operating Expenses includes funding to significantly increase staff in many areas. However, the request does not include any additional staffing for the Vocational Rehabilitation and Employment (hereinafter, "VR&E") program. This comes at a time when experts have raised serious concerns about the ability of the VR&E program to address the needs of severely disabled veterans returning from the conflicts in Afghanistan and Iraq. In my view, Congress and VA should take a critical look at whether VR&E has the appropriate staffing, expertise, and focus to meet the needs of this population of severely disabled veterans. It is critical that we provide these wounded warriors with the tools, assistance, and services they need to recover and return to productive and fulfilling lives.

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS

Almost 20 years ago, Congress created the United States Court of Appeals for Veterans Claims (hereinafter, "Court") for a very important purpose -- to provide "fundamental justice" to veterans and their families who are seeking veterans' benefits. To fulfill that purpose, every individual who comes before the Court should rightfully expect a prompt decision on his or her appeal. Unfortunately, as the Committee learned at a hearing in November 2007, the Court is facing many challenges in trying to fulfill that expectation:

- The Court was receiving record levels of incoming cases. There were over 4,600 new cases in fiscal year 2007, which was almost 25% more than any prior year.
- The Court had roughly 6,300 pending cases, which was 36% more than two years earlier and 4,000 more than 10 years earlier.
- At least 750 cases were already awaiting action by the Court, and 3,700 more may be ready for a decision within the year.
- The median number of days to decide cases in fiscal year 2007 was 416 days, which was almost 19% higher than fiscal year 2006.

With these staggering statistics, it seems clear that both Congress and the Court must take steps to ensure that veterans will not have to wait long for decisions. As part of that effort, the Court and this Committee should take a critical look at where there may be bottlenecks and how improvements could be made. It is also important that the Court fully utilize the experience and expertise of retired recall-eligible judges, who may be called back to work for up to 90 days per year or for longer with their consent. Since 2006, these retired judges have proven to be a valuable resource in helping the Court deal with its caseload. Finally, I believe that Congress, in addition to providing adequate

funding for the Court, should consider taking other measures, such as authorizing magistrates, to help the Court provide justice to veterans in a timely manner.

VETERANS' EMPLOYMENT AND TRAINING SERVICE

The Department of Labor's Veterans' Employment and Training Service provides grants to states to fund the Disabled Veterans' Outreach Program and the Local Veterans' Employment Representatives program. These programs are designed to provide employment and training services to veterans and conduct outreach to employers to increase employment opportunities for veterans. Unfortunately, concerns have been raised about whether these programs are effective in helping veterans find good jobs, particularly injured veterans returning from the current conflicts. In fact, at a February 2008 hearing before the Committee, Mr. John Rowan, National President of Vietnam Veterans of America, testified that "[i]t still remains clear that the system funded through the Department of Labor simply is failing these fine young men and women when they need assistance most in rebuilding their lives." As we move forward with the budget process and this Congress, it should be the focus of this Committee to assess the effectiveness of these programs and to find ways to improve the employment services provided to our nation's veterans.

CONCLUDING COMMENTS

Thank you for your consideration of my views on the programs and services for our nation's veterans and the challenges that lie ahead. I look forward to working with the Committee on the Budget and all of our colleagues to help improve and modernize the system of benefits and services for all veterans.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Burr", with a stylized flourish at the end.

Richard Burr
Ranking Member

11. ADDITIONAL AND MINORITY VIEWS

Senator Bill Nelson
FY 2009 Budget Resolution
Opening Statement



The US economy is slowing and there is every indication that we have entered a period of slow growth. I know from traveling my state over the past two months that Floridians are struggling. They are paying more for every day items such as gas, milk and bread. Meanwhile, they are watching their housing values plummet. Many are trying to correct their situation by selling and unwinding their positions in bad loans and mortgages, but are unable to even get buyers to look at their homes.

Mr. Chairman, Floridians are struggling right now and I'm pleased to say that this Budget goes a long way to giving them hope that Washington is listening and responding and willing to assist them in this time of uncertainty.

The Mark provides for additional economic stimulus and a one year fix for the AMT. Rather than fixing the AMT, The President proposes to use this middle-class tax increase to balance his budget. We need to write a permanent fix on the AMT so that millions of middle-class Americans don't have to worry each year about getting caught by a tax that was initially imposed on a select few millionaires.

The Budget Resolution also provides for the passage of a tax extender package which includes the ability of Floridians to deduct their state sales tax from their federal returns. This is been one of my priorities and I'm pleased that the Chairman's has included this provision in the Mark.

I am also pleased, above all, that the Chairman's Mark funds NASA at \$18.7 billion, one billion dollars above the President's 2009 request.

Our Nation's space program is in one of the most challenging and pivotal times in its history and NASA must be provided with additional resources if it is to meet this challenge. NASA will retire the Space Shuttle in 2010, but because of continued budget shortfalls the follow-on Ares/Orion vehicles will now not be completed until 2015. This means that there will be a 5-year gap during which time the United States will not have human access to space and will have to pay Russia to fly our astronauts to the Space Station that we have invested so much in building.

This additional funding cannot make up for the all time and resources already lost, and it will not completely close this gap. However it will reduce this gap and bring Ares/Orion online sooner, thus reducing our impending total reliance on Russia.

I was dismayed to see that President Bush's budget slashed funding for a number necessary health care providers, without providing a serious rationale of how these industries would weather these cuts. Hospitals, long term care facilities, and graduate medical education all would face devastating cuts.

In addition, beneficiaries of Medicare Parts B and D would be saddled with higher cost sharing under this proposal, at a time when the economy is strained and people are struggling to make ends meet.

Instead of addressing the roots of long term cost growth to the Medicare program, President Bush's budget simply shifts costs from the government to providers and beneficiaries. I am relieved that the Senate's budget here today does not incorporate President Bush's damaging health care initiatives.

I am especially pleased that it includes a deficit neutral reserve fund for Medicare improvements, including the creation of additional Medicare-funded medical residency slots.

Many states, such as Florida, have seen their need for physicians grow while their primary means of training them – Medicare funded residency slots – have remained stagnant. I introduced legislation to increase the number of residency slots in states with a shortage, and I am heartened to see that this budget reflects an understanding of this urgent need.

I am also heartened to see that the budget resolution recognizes the need to protect a national treasure, the Florida Everglades.

The Chairman's mark contains \$350 million for the Everglades restoration. This is an increase of \$95 million above the President's request.

These additional funds will go towards construction of the Indian River Lagoon CERP project, which was only provided planning and design funds in the President's request. An increase for the Kissimmee River will move the project towards completion in 2012, as will an increase for the C-111 project. Finally, Modified Waters Deliveries, a critical project decades in the making, will receive increased funding.

Recognizing the new policies enacted in the 2007 Energy Bill, the Chairman included \$8.45 billion in discretionary funding to invest in clean energy and create green collar jobs. I joined 31 of my colleagues in making a request to the Budget Committee for clean energy funding and am very pleased it is included in the Chairman's Mark.

When the government enacts policies that will lessen the nation's dependence on foreign oil and fossil fuels it must also make significant federal investments to back them up.

The extra funding in the budget is a major first step.



SENATOR FRANK R. LAUTENBERG
BUDGET COMMITTEE
VIEWS FOR COMMITTEE PRINT
Wednesday, March 5, 2008

Mr. Chairman,

President Bush has had eight chances to get it right. And for the eighth year in a row, he sent Congress a budget proposal that is morally irresponsible.

The Bush budget says to middle-class New Jersey families that they're on their own to deal with higher health care costs, rising tuition costs, and higher energy bills. Since President Bush took office, health care premiums have risen 40 percent in New Jersey, average tuition costs have gone up 52 percent and gas prices have doubled.

That's more than just inflation—that's eight years of failed Bush policies.

Today, we get the chance to consider a responsible Democratic budget that focuses on the real problems that Americans face.

One problem is the continuing threat of terrorism here in the U.S. While spending over three billion a week on the war in Iraq, President Bush under-funds our homeland security needs, leaving our nation at risk of attack. This risk is very real in New Jersey.

The FBI has called the two-mile stretch between Newark and Elizabeth, New Jersey, "the most dangerous two miles in the country" for terrorism. Yet in his budget for 2009, President Bush proposed cutting funding for state homeland security grant programs by almost 80 percent.

He also proposed cutting in half programs which pay for rail security grants and port security grants. The Democratic budget restores these cuts.

We face serious challenges with rising tuition costs. Our budget not only restores the Bush education cuts, but increases funding by an additional \$5 billion. That's a serious commitment to education.

It's clear our economy is slowing. So our budget provides an additional \$35 billion for a future stimulus bill to help families and business boost the economy. I am hopeful that any future stimulus bill will also include funding for state fiscal relief, including increased Medicaid and even more infrastructure dollars.

To keep America moving, we must invest in our transportation infrastructure.

Less than a year after we watched a bridge collapse in Minnesota, President Bush proposed funding cuts for roads and bridges by \$1.8 billion. The Democratic budget restores billions for transportation, and provides even more money to rebuild the backbone of our economy—our bridges, highways, skyways, seaports, airports, and transit systems. I intend to work with Committee leaders to ensure that these projects are eligible for federal infrastructure money.

The budget also restores funding for Amtrak—our nation's passenger rail system—which President Bush is trying once again to bankrupt. In a time of record high gas prices and record airport delays, we should not be taking away this popular, energy-efficient and convenient travel option, which people are using in record numbers. I want to thank Chairman Conrad for working with me to ensure Amtrak is fully-funded in this resolution. Our budget contains a total of \$1.8 billion for Amtrak, plus an additional \$250 million in state rail grants.

This Democratic budget also provides much-needed tax relief to middle class Americans. The Alternative Minimum Tax (AMT) was intended only to tax the super-wealthy, but was not indexed for inflation. Now, millions of middle class Americans are forced to pay a tax that was not intended for them. Each year, Congress acts to provide relief to those middle class taxpayers, and this year, like previous years, we will take action to do just that. The Democratic budget takes action to protect millions of Americans from paying this tax.

An amendment offered by Senator Grassley at the Committee meeting today concerning AMT does not actually provide for any AMT relief, but rather serves to weaken fiscal responsibility rules adopted by Congress. Since it does not provide for any additional AMT relief, I do not support it as drafted, however I will work to protect hard-working middle class New Jerseyans from the unintended consequences of the AMT.

Even with Congressional action to provide relief for middle class AMT taxpayers, some 283,000 New Jerseyans still get hit by the AMT every year. That's 6.8 percent of our State's taxpayer population. I look forward to working with this Committee and Senate Finance Committee leaders to create a permanent solution to provide sufficient tax relief from the AMT and other federal taxes for the people of New Jersey.

I commend the Chairman for this budget resolution. It is a much-needed step in the right direction.

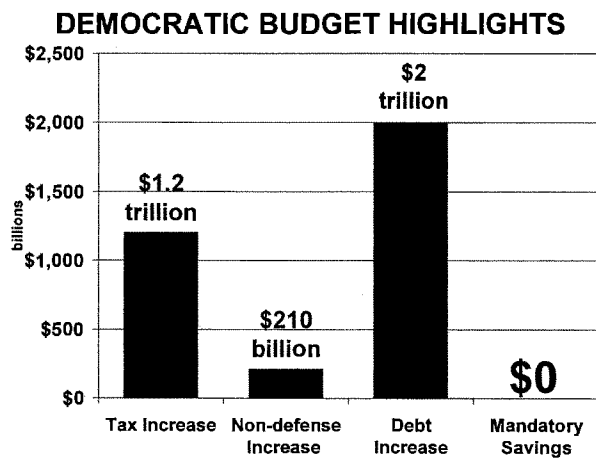
Thank you.

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**MINORITY VIEWS OF RANKING REPUBLICAN MEMBER
SENATOR JUDD GREGG**

I recommend that the Senate reject this budget resolution for FY 2009 reported by the Democratic majority of the Senate Budget Committee. The proposed budget would increase taxes on American families by \$1.2 trillion, do nothing about the economic danger posed by unaffordable growth in entitlement programs, expand the size of the non-defense, discretionary part of government by 9.1 percent compared to 2008, and saddle our children with a \$2 trillion increase in the federal debt.



TAXES

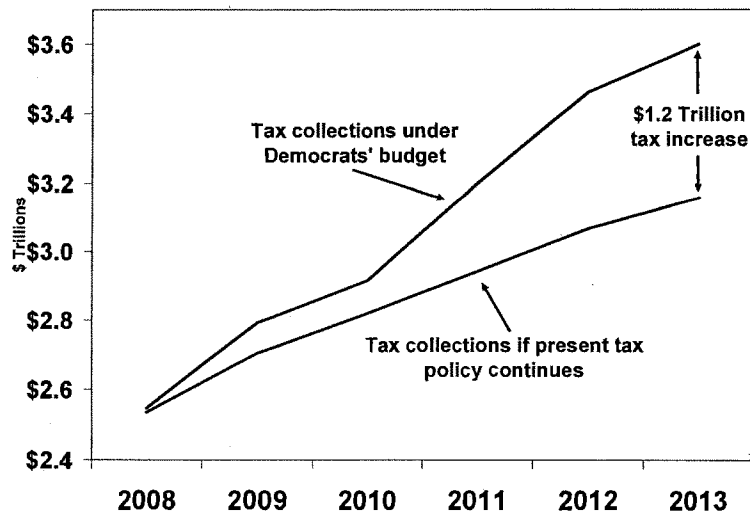
\$1.2 Trillion Tax Increase

Revenue growth has decelerated as the economy has slowed in the past year. The level of revenues is expected to be about 17.9 percent of GDP in 2008, somewhat below the average over the past 40 years of 18.2 percent of GDP. Under the Democratic budget, the revenue bite taken out of taxpayers rises rapidly since the budget assumes that tax policy currently on the books expires after 2010; by 2013, revenues as percent of GDP would rise to 19.9 percent of GDP.

Overall, the Democratic budget asks taxpayers to send in an additional \$1.2 trillion in taxes over the next five years. This means that a family of four with \$50,000 in income will pay \$2,300 more in taxes. Seniors with \$40,000 in income will see their taxes go up by \$2,200. Small businesses will pay \$4,100 more. Nearly 8 million individuals and families who currently don't owe income taxes would be put back on the tax rolls.

The Democrats' budget accommodates one small piece of tax relief – an Alternative Minimum Tax (AMT) patch for 2008, which is not offset. However, the \$62 billion cost of patching the AMT for one year is still subject to the Democrats' pay-as-you-go point of order – but that doesn't matter, because the Senate Democrats have announced that it is their intention to ignore pay-go requirements and waive that point of order.

DEMOCRATS' BUDGET RAISES TAXES \$1.2 TRILLION



The Democratic majority argues that it does not want to increase certain tax rates or so-called “middle-class” tax benefits and that their budget could preserve some tax relief by increasing revenues from a list of tax-shelter examples and by closing the tax gap. But they cannot identify where such sufficient revenue offsets would come from.

We have had a year of empty claims about going after the tax gap, yet the majority has made it clear again that their budget relies on these phantom revenues. Yes, there are people not paying the taxes they owe, but collecting them is going to be a challenge, especially when Congress last year enacted legislation to collect only \$0.2 billion (over five years) of the \$5.7 billion in tax-gap closures the President proposed. To put that in perspective, this Democratic budget relies on \$300 billion from closing the tax gap over the next five years when last year the majority could only muster \$0.2 billion in progress towards reducing the tax gap. The Democrats’ claim of collecting more revenues from closing the tax gap is nothing more than a hope and a wish. Instead, the tax increases in this budget are going to be pushed on to middle-class families and small businesses.

More discouraging last year is that Congress moved in the opposite direction in terms of addressing the tax gap. The House actually passed bills (which have not been enacted, yet) that would increase the tax gap. In addition, both the House and Senate moved appropriation bills that would have provided more tax enforcement money for the IRS, which the President had requested. But Congress then took the money away when it came time to enact the appropriation bill for the IRS for 2008.

The difference between what is being collected now and what might be collectible is probably no more than \$20 or \$30 billion per year, which is certainly not going to make up the \$1.2 trillion of new revenue that will be needed to pay for extending the tax cuts as this budget envisions.

This budget includes \$1.2 trillion in explicit tax increases, but the tax bill on American families could actually be \$300 billion higher – \$1.5 trillion over the next five years – because this budget includes multiple tax-and-spend reserve funds.

Tax-and-Spend Reserve Funds

The only reason for this budget to include deficit-neutral reserve funds is to set up a mechanism through which a bill that will spend an amount of money (to be named later) on a certain purpose can be offset by a tax increase on someone (to be named later). There are more than 30 reserve funds in this budget resolution. If all of the legislation contemplated by the reserve funds were enacted, taxes would have to be increased by at least \$300 billion over the next five years in order to offset the \$300 billion in spending that advocates of these reserve funds seek.

SPENDING

More Tax & Spend While Ignoring the Crisis

Discretionary Spending Bonanza

For 2009, this budget resolution would allow total regular discretionary appropriations (for defense and non-defense) of **\$1.019 trillion, which includes an extra \$4 billion made possible by an increase in the limit on advance appropriations.**

Before 2000, advance appropriations never exceeded \$5 billion. For 2001, advance appropriations more than doubled, and then for 2002 Congress more than doubled them again to \$23 billion – the level at which they have been limited for seven years. There is no programmatic rationale for any of these advance appropriations; Congress, with the agreement of the Executive Branch, has increased them simply because they are a confusing, non-transparent way of getting around budgetary limits on appropriations. Last year, the long-standing limit was breached as the Democratic budget planned, and Congress, with the President's signature, enacted a \$2 billion increase in advance appropriations from \$23 billion to \$25 billion. Not satisfied with that increase, this 2009 budget would increase the limit on advance appropriations to \$29 billion – resulting in more than a 25 percent increase in advance appropriations from the limit that had been in place all decade, until last year.

Democratic Budget for 2009 Compared to President's 2009 Request (\$ billions)				
	President	Democrats	\$ Increase over Pres	% Increase over Pres
Defense	538	538	0	0
Non-Defense	<u>460</u>	<u>482</u>	<u>22</u>	<u>4.8%</u>
Total	997	1019	22	2.2%

As a result, compared to the President's request of \$997 billion for 2009 (the President did not request an increase in advance appropriations), this budget resolution plans a \$22 billion increase -- all for non-defense activities. And not only do advance appropriations increase over last year, but total non-defense appropriations increase by 9.1 percent compared to the level enacted for 2008.

Democratic Budget for 2009 Compared to 2008 Enacted (\$ billions)				
	2008	2009	\$ Increase over 2008	% Increase over 2008
Defense	495	538	43	8.6%
Non-Defense	<u>441</u>	<u>482</u>	<u>40</u>	<u>9.1%</u>
Total	936	1019	83	8.9%

Unless the Democratic budget argues that some of their planned increases in appropriations is meant to be temporary and should be eliminated in future years (which it does not), this \$22

billion increase (over the President's request) in 2009 alone will go into the base and will translate to \$210 billion in higher spending over the next five years.

The Democratic budget tries to argue that it does not increase non-defense appropriations by very much. Instead of comparing to the level enacted for 2008, their budget argues it represents only a 2.2 percent increase over the baseline level (which adjusts for inflation) for 2009. This is an incorrect comparison because it leaves out some of the 2009 spending that the resolution assumes will be enacted for 2009 (\$5.8 billion for levee repair and \$4 billion in advance appropriations), plus it exaggerates the baseline level. So instead of the 2.2 percent increase for non-defense that the chairman claims, an apples-to-apples comparison shows the real increase is 6.1 percent over baseline. These large increases in domestic spending will have to be paid for somehow – either through higher taxes or larger deficits and more debt imposed on our children.

Democratic Budget for 2009 Compared to CBO Baseline for 2009 (\$ billions)				
	<u>Baseline</u>	<u>Democrats</u>	<u>\$ Increase over base</u>	<u>% Increase over base</u>
Defense	512	538	26	5.1%
Non-Defense	454	482	28	6.1%
Total	965	1019	54	5.6%

For the war, the Democratic budget matches the President's request of \$70 billion for 2009, but includes nothing more than that, because the majority argues that the funding level of \$70 billion (which is probably sufficient to fund the war only from October 2008 through January 2009) is closer to "their policy." If their policy is to start getting the troops out of the war theater as soon as the next President is inaugurated, then their budget does not match their policy because it omits the substantial funds that will be required to bring all the troops and their equipment home. Perhaps it is the policy of this budget to abandon the troops come January 20, 2009?

This budget resolution also matches the President's request for regular (non-war) defense appropriations, but it does not have a firewall protecting this defense spending, so appropriation bills can shift funds that this budget resolution contemplates for defense over to non-defense purposes. This is exactly what happened last year when the appropriation bills for 2008 underfunded the President's defense request by \$3 billion and spent that amount on other activities instead.

Ignoring the Entitlement Crisis

With the Baby Boomers having already begun to retire, our nation is on the cusp of a huge demographic shift. The over-65 population is estimated to double by 2035 to 75 million. As the number of Americans over 65 rises, there will be an increasing burden on working class families. The ratio of the number of workers available to support each retiree will continue to decline from 5.1 to 1 in 1960, to 3.3 to 1 today, to 2 to 1 in 2050.

Congress has had warnings in recent years about our impending fiscal crisis. In each of the last two years, the Medicare Trustees have notified Congress that more than 45 percent of Medicare outlays will be paid for by the general fund within the next seven years. This has triggered a

Medicare Funding Warning and a Presidential submission to Congress of legislative language to address the problem. If this warning is not enough, the Trustees also have warned us that in 2019 the Medicare Trust Fund will be exhausted.

Our fiscal problems are not limited to health care programs. In 2017, the Social Security system will begin to pay more in benefits than it takes in each year in payroll taxes. This will put incredible pressure on other federal programs.

The problems identified by the Medicare and Social Security Trustees are apparent in both the short and long term. Medicare, Medicaid, and Social Security will grow under current law at an average rate of 6.6 percent per year over the next 10 years. If federal health care costs continue to grow at the 40-year annual average of 2 percentage points faster than the economy, then the spending in the three largest entitlement programs will exceed 18.2 percent of GDP (the average revenue collected by the federal government annually for the past 40 years) in 2037 and reach nearly 50 percent of GDP within 75 years.

With \$66 trillion in total unfunded liabilities in these programs, one thing is for certain – we cannot tax our way out of this problem. To put this in perspective, if we wanted to put aside today enough to cover the Medicare, Medicaid and Social Security promises alone, it would take \$183,000 for each and every American, or just over \$495,000 per American household.

Despite the warning about the severity of the entitlement crisis facing us, the majority's budget contains no net reductions in mandatory programs. Instead, this budget includes an extremely modest \$1.3 billion reduction in Medicare in 2013 that the Democrats are proposing to comply with the Medicare "trigger." This amounts to a mere 0.05 percent reduction in Medicare spending over the five-year period. Unfortunately, this savings is more than offset by a \$1.7 billion increase in Medicaid spending in 2008 and 2009 that will occur if the resolution's assumption of delaying Medicaid regulations (that are intended to reduce fraud and maintain the integrity of the program) is enacted.

ENFORCEMENT (or lack thereof)

If you listen to the Budget Committee Chairman, you'd get the impression that the Democratic majority was the pillar of fiscal responsibility. We had no choice but to give them the benefit of the doubt last year. But now the record is there for everyone to see. Instead of congratulating themselves for being fiscally responsible, they should congratulate themselves for thinking up budgetary gimmicks and tricks to fool everyone into thinking they actually controlled spending.

In the first session of the 110th Congress, Democrats completely ignored pay-go, or used gimmicks such as adding mandatory spending to an appropriation measure; used early sunsets of programs to make the cost appear smaller; legislated one-time changes to hide spending; and moved mandatory spending outside of the pay-go enforcement window – to the tune of \$143 billion. The Democrats' budget this year does nothing to control the proliferation of pay-go gimmicks. One of my amendments, which tightened the long-term deficit point of order, was accepted and is the only enforcement loophole-closer in the Democrats' budget.

Last year's budget resolution conference agreement included reconciliation instructions to a single committee for savings of \$750 million. The instruction was included in the House-passed resolution last year, but not the Senate-passed resolution. This special budget procedure, which was not intended to be used to expand the size of government, was included in the conference report and then exploded into \$21 billion of new government programs. Needless to say, I have deep reservations about using reconciliation that way.

I will warn my colleagues that the same thing is happening again this year. The House budget resolution includes a \$750 million savings instruction under reconciliation; the Senate resolution contains no such instruction. It is not appropriate for the House to be doing the Senate's dirty work. If there is going to be reconciliation in the conference report on the budget resolution, let's put it on the table and talk about what it is. The issue of whether to use reconciliation is important and should be debated before the full Senate during the 50 hours we have set aside for debate on this resolution.

Those who support this budget resolution should feel comfortable addressing these issues: Why was the \$750 million figure chosen? Is it going to be \$21 billion of new spending like it was last year or is it going to be \$40 billion of new programs? What about the spending savings? Where are they going to come from? Let's have some transparency. We hear a great deal from the Democratic leadership about the integrity and honesty and transparency of the government. Reconciliation in the Senate should be talked about openly, not hidden and protected from scrutiny through action by the House of Representatives.

MORE OF THE SAME: TAX/SPEND/DEBT

The language of this budget says one thing, but the substance of the budget says something else. It says it is for fiscal restraint, but there is a huge increase in discretionary spending. It advertises no new taxes, but the tax grab would increase by \$1.2 trillion compared to the tax policy to which taxpayers have become accustomed. Entitlements will be controlled later, so there is no entitlement reform now. As a result, at the end of five years we will have a lot more debt and a lot higher spending, a larger government, and much higher taxes on our families and small businesses. Congress will have missed the chance to discipline itself in a time when it should be securing the health of our future economy by reducing the threat posed by runaway entitlement programs. Instead of making tough choices, this budget passes the buck to another Congress.

Senator Wayne Allard
Minority Views
March 7th



In regards to the Fiscal Year 2009 Budget Resolution, we can do something this year that we could not do last year.

We can point to the record.

Last year we were obligated to accept the assurances from the Majority that under their new regime, pay go would be respected, spending would be curbed, the entitlement crises would be addressed, and the debt would be attacked.

We now, however, have results, not predictions. And when all was said and done last year, there was an \$83 billion dollar increase in discretionary spending. There was \$143 billion in pay-go violations. We didn't close the tax gap. We added to the debt. Reconciliation was used to add spending, not reduce it. We did nothing for entitlement reform. We assumed tax increases.

Two things especially concern me about this budget. Now that our economy is trending in the wrong direction, and when we really need the benefits of a reasonable and pro-growth tax policy, we are going to depress our economic growth by adding to the debt and increasing taxes.

Secondly, this budget continues the erosion of fiscally responsible processes. We are seeing increases in “Reserve Fund” shenanigans, the use of reconciliation – a process originated to cut government spending – for spending increases, and a mockery of the pay go rules. I believe this Committee should be committed to rigid budget discipline, not politically expedient gamesmanship. I would urge a return to a tighter and more credible budget document.



**Minority Views of Senate Budget Committee Member Senator Michael Enzi
on the
FY 2009 Budget Resolution Reported by the Senate Budget Committee
March 6 2008**

I would like to thank Chairman Conrad and his staff for the work they have put forth on this Budget Resolution. I also want to thank Senator Gregg and his staff for their hard work. While I do not agree with everything in this budget, I know that crafting an annual budget is a very difficult task. I also want to acknowledge the importance of writing a Budget Resolution. This document is a vital part of the operation of Congress. It is intended as a fiscal blueprint that Congress will follow for the year and establishes procedural hurdles when these guidelines are ignored.

I applaud the Chairman and Ranking Member for taking the necessary steps to pass budget reform through their work on the Biennial Budget and Appropriations Act and the Stop Over Spending Act. In recent Budget Committee hearings, we heard from the General Accountability Office and the Congressional Budget Office about federal expenditures in health care and other areas spiraling out of control. We need to start making the procedural and process changes that will help to mitigate these costs. This year, Congress should get spending under control.

As Members of Congress, we have an urgent responsibility to provide future generations with a strong and secure U.S. economy. As stewards of the public trust, we owe it to all American taxpayers to use the funds they provide us in the most effective and efficient ways possible. We must carefully exercise our responsibility to see to it that their hard-earned money is spent wisely. We cannot abuse the trust that Americans placed in us when they sent us here to represent them.

As an accountant, I particularly enjoy this opportunity to look at the overall spending priorities of our nation. As my colleagues on this Committee are well aware, Fiscal Year 2009 will be another tight year for spending. I do not believe that Chairman Conrad's budget will encourage strong economic growth by maintaining low tax rates, eliminating the national deficit, and ensuring that our priorities as a nation, including funding for our troops, are met.

Unfortunately, I cannot support a budget that will mortgage the future of our children and grandchildren or require huge tax increases for all Americans. I welcome the opportunity to consider our nation's spending priorities, keeping in mind we need to make tough choices and sacrifices in order to keep our country strong and healthy and this budget does not do that.

As Ranking Member of the HELP Committee, I will continue to focus my sights and the resources of the Committee on reauthorizing federal programs that are

cost effective and not duplicative, so that precious federal dollars touch as many people as possible.

I do believe that the first priority of any nation must be the health of its people. I will look for an avenue this year to address health care access and affordability. As health care costs continue to increase at a dramatic rate, it is important to contain both discretionary and mandatory spending. Every American should have access to high quality health care at affordable prices and Congress must work with State governments and the private sector to achieve this goal.

Last summer, I introduced a comprehensive health care reform proposal. *Ten Steps to Transform Health Care in America* is a bold solution that addresses our health care crisis by building on market based ideas and bringing transparency to the system. One of those key steps is small business health plans. As my colleagues may know, last Congress Senator Ben Nelson and I worked together on legislation that would allow business and trade associations to band their members together in Small Business Health Plans, and offer group health coverage on a national or statewide basis. This legislation was a direct response to the runaway costs that are driving Americans and small businesses away from the health insurance marketplace. Another step in the Ten Step proposal encourages the health care industry to go digital. Congress should address the problems associated with medical mistakes and ineffective care by passing legislation encouraging and facilitating widespread adoption of health information technology. I urge Congress to act swiftly and pass the Wired for Health Care Quality Act this year, which will improve the quality and reduce the cost of health care. Enacting parts, if not all, of the Ten Steps to Transform Health Care in America is one of my top priorities this year at the HELP Committee. I intend to work with my colleagues on both sides of the aisle to accomplish this goal.

Just over a year ago, the Committee reauthorized the Ryan White CARE Act, a program to provide care and treatment to those within the United States living with HIV. This bill created a new focus on the epidemic of today, not yesterday. I was discouraged when the appropriations process last year dramatically altered the underlying, authorized funding formulas so that fewer people could receive additional funding. This year, I will work diligently to retain the integrity of the Ryan White funding formulas. In addition, the Committee should examine additional ways to provide funding for this vital program, taking into account the overall discretionary spending constraints.

Americans need good paying jobs. Congress should be encouraging high employment rates, but a number of bills have been introduced which would impose unfunded mandates on the people providing those jobs. Enacting such proposals would hurt an economy we want to strengthen. This committee should seize the opportunity to reduce the government-imposed red tape. We should stand in the way of increased costs that force employers to cut wages and leave the jobless looking for work. The real cost of unfunded mandates, especially to

small employers, should be fully understood by the Congress and our constituents. As members of the Budget Committee, we should recognize the important role our committee and the Congressional Budget Office play in providing such transparency.

I want to reiterate that we must take seriously the warnings we have heard from the General Accountability Office and from the Congressional Budget Office about federal expenditures spiraling out of control. This budget does not do that. We need to make the procedural and process changes to directly address this problem. One of the many procedural reforms that I believe would promote fiscal responsibility and safeguard the nation's economic health is a two-year budget process.

In fact, in his budget for fiscal year 2009, the President once again proposed common-sense budget reforms to restrain spending. He has several recommendations, including earmark reforms and the adoption of biennial budgeting for all Executive Branch agencies in order to give Congress more time for program review, and to allow federal agency executives more time to actually manage their programs and engage in longer-term planning. While we may negotiate on the details, I believe we should implement these overall recommendations. I look forward to working with my colleagues in the Senate to advance this policy.

I want to take this opportunity to mention a few programs that affect my state of Wyoming directly. Even though they are important to my state, I will use the responsible budgeting goals and principles I have outlined when pursuing these initiatives.

As our nation's most abundant energy source, coal must play a central role in electrical generation for years to come. In order for that to happen, we need to continue finding ways to make power generation from coal cleaner. Programs like the Clean Coal Power Initiative will play a major role in making that happen and so I support increased funding of this program.

We also need to see proper funding of the federal loan guarantee program. Federal loan guarantees can play an important role in developing new energy projects. It is my hope that we can provide enough funding to get some of these projects off the drawing board, and most specifically, I hope that we provide funding to the Department of Energy to move forward with loan guarantees for coal-to-liquids projects. Coal-to-liquids technology has the potential to help reduce our nation's dependence on foreign energy barons and should be explored.

The Administration's budget included a plan to make permanent a 2 percent net royalty receipt sharing provision in FY 2009. The federal government collects mineral royalties from states that allow for energy production on their lands.

Under the law, the states are entitled to half of the royalties collected. To distribute the state share, the law intends for the Minerals Management Service to divide the amount of mineral royalties collected by two, write a check for that amount, and mail it to the states. That's all it entails.

As an accountant, I can tell you that dividing by two and writing a check does not take a significant amount of time. Somehow, the Administration believes that it deserves approximately \$40 million per year to do this activity, citing the need to cover administrative costs. This is logic that only happens inside the Beltway and is patently unfair. A disproportionate share of this funding comes from my home state, and I will continue to fight against this idea.

I would like to briefly call attention to the Small Business Administration. I serve on the Small Business Committee and enjoy using my small business experience to help make a difference in the lives of many people in Wyoming and throughout the country. We are working in Wyoming to stabilize and steadily grow our small businesses through the utilization of the Small Business Innovation Research (SBIR) program. The risk and expense of conducting serious research and development efforts are often beyond the means of many small businesses, especially rural small businesses. By reserving a specific percentage of federal R&D funds for small business, SBIR enables small businesses to compete on the same level as larger businesses and stimulate high-tech innovation in their rural states.

The FAST and Rural Outreach programs are congressionally authorized programs that provide technical assistance that helps Wyoming's small businesses utilize the SBIR program.

Finally, the Agriculture Committee has a big task in completing the reauthorization of the Farm Bill this year. In the Budget Committee, writing a tight budget that will help us reach our long-term fiscal goals is a priority for me. However, we also need to provide adequate funding in the budget for the Farm Bill. Though you cannot tell by the name, the Farm Bill affects the lives of many unsuspecting Americans. Policies and projects for distance learning, conservation, food assistance, renewable fuels, and our forests are provided for in the Farm Bill, in addition to the well-known commodity programs. I know that the Chairman is well aware of the needs of agriculture and I look forward to reviewing his proposal.

I had hoped that we could begin to work seriously towards a fiscally sound budget for our nation. The Democratic budget reported from the Senate Budget Committee does not do that, and therefore I cannot support it.



**Additional Views of Senator Jim Bunning
Budget Resolution for Fiscal Year 2009
March 7, 2008**

For the first time, the budget resolution calls for more than \$3 trillion in spending for the coming fiscal year. This is a staggering amount of money. If it was simply distributed on a per capita basis, the budget resolution would amount to \$10,165 for every man woman and child in America.

One of the most serious problems with this budget resolution is that a substantial portion of this figure is not funded, because the Chairman has made no serious attempt to address mandatory spending. The gross national debt already exceeds \$9.3 trillion, or about \$31,000 for every American, including children with no other debt of their own. A sizeable percentage of this debt is actually in the form of paper notes to the Social Security trust fund.

This is because for many years, the federal government has collected more in payroll taxes than is necessary to pay current Social Security beneficiaries. This has allowed us to build the large surplus (on paper) needed to fund the retirement of the baby boom generation, the oldest of whom turn 63 this year.

In fiscal year 2008, for example, taxpayers will contribute \$83 billion more to the Old Age and Survivors Insurance and Disability Insurance trust funds than needed to pay benefits. When added to the unified budget deficit that the Congressional Budget Office (CBO) projects for fiscal year 2008 - - \$396 billion - - the true difference between spending and revenues this fiscal year will be about \$479 billion.

This means that the federal government will borrow about \$1,581 on behalf of each American, pushing the per capital debt burden to more than \$32,500.

It is imperative that Congress and the President begin to address mandatory spending before it is too late. It is unrealistic to believe that Americans will accept massive increases in payroll taxes in addition to the \$1.2 trillion in additional income tax revenue that this budget resolution assumes, because it does not provide for an extension of the Alternative Minimum Tax patch or the broad income tax rate reductions that Congress approved in 2001 and 2003.

Congress must also stop masking the true extent of the budget deficit with the unified budget convention that combines the Social Security surplus with the regular deficit. The American public deserves a true accounting of the extent of the federal budget deficit, which is substantially larger this year than the figure reported by CBO.

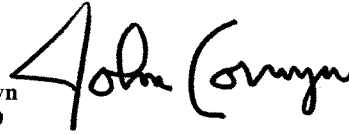
Budget Resolution for FY09	\$ 3,080,000,000,000
U.S. Population	303,000,000
Per Capita Spending	\$ 10,165.0
OASDI FY08 PRIMARY SURPLUS	\$ 83,000,000,000
FY08 Deficit plus OASDI Surplus	\$ 479,000,000,000
True FY08 Deficit Per Capita	\$ 1,581

A handwritten signature in black ink that reads "Mike Crapo". The signature is written in a cursive, flowing style.

**MINORITY VIEWS OF SENATOR MIKE CRAPO
BUDGET RESOLUTION FOR FISCAL YEAR 2009
March 7, 2008**

I would like to recognize the importance of base support for university-based agriculture and forestry research through the Hatch Act and McIntire-Stennis Cooperative Forestry Research programs. I would also like to urge the Administration to work with universities on a long-term plan to combine base and competitive funds to maximize university response to federal research priorities.

**Additional Views of Senator John Cornyn
Budget Resolution for Fiscal Year 2009
March 6, 2008**



Mr. Chairman, I would like to insert into the record an article from the Wall Street Journal, which discusses the "paygo" point of order.

The Paygo Farce
Wall Street Journal
December 10, 2007; Page A18

'Democrats are committed to ending years of irresponsible budget policies that have produced historic deficits. Instead of compiling trillions of dollars of debt onto our children and grandchildren, we will restore pay-as-you-go budget discipline.'
--Speaker Nancy Pelosi, December 12, 2006

Well, as Emily Litella, the half-witted Gilda Radner character on Saturday Night Live, would have put it: "Never mind." Last week Congressional Democrats formally renounced their ballyhooed budget pledge to offset any new tax cuts with other tax increases or spending cuts. We're delighted to see this false promise go, but there's a larger lesson in this failure for the tax and spending battles of 2008.

Senate Democrats gave up on "paygo," as it's called, when they realized they lacked the votes to offset the \$50.6 billion cost of protecting more than 20 million middle-class taxpayers from getting whacked by the Alternative Minimum Tax this year. They've spent the year floating all kinds of tax increases to make up the difference. But in the end they passed an AMT relief bill without a penny to pay for it. Paygo is now pay gone.

We should stress that this is the right decision for the economy and the federal budget. The AMT was never supposed to hit the middle class, and it only does so now because the Democrats who designed it failed to index it for inflation and raised AMT rates under Bill Clinton in 1993. With the economy in a slowdown, the last thing anyone needs now is a tax hike. The budget deficit is a little above 1% of GDP, which is below the 25-year average, and should remain so as long as the economy keeps growing.

But paygo shouldn't be allowed to expire without everyone kicking sand on its grave. That's because it has been nothing but a confidence game from the very start. Paygo doesn't apply to domestic discretionary spending, and it doesn't restrain spending increases under current law in entitlements like Medicare and Medicaid. Its main goals are to make tax cutting all but impossible, while letting Democrats pretend to favor "fiscal discipline," a la Ms. Pelosi's boast above.

In fact, the paygo farce has been unfolding all year. Since the day they took the gavel, Democrats have been using gimmick after gimmick to evade it. The Schip bill for health

care, for example, includes a spending "cliff" that disguises its actual cost. It assumes spending would rise to \$14 billion in 2012, but then pretends the costs would fall to less than half that level in 2013 -- which just so happens to fall outside the five-year budget scoring window. Some \$60 billion in spending over the next 10 years were hidden through this ploy.

Then there is the House farm bill awaiting action in the Senate. That spending marathon includes between \$5 billion and \$10 billion in fictitious paygo savings by shifting the date of farm aid payments from one year to another. If a Fortune 500 CEO did that sort of thing, he'd be indicted.

House Democrats realize how humiliating this all is, so they're still vowing to make paygo work. Especially embarrassed are the so-called Blue Dog Democrats for whom "fiscal discipline" is a coat of political protection. John Tanner of Tennessee is so upset he says the Senate paygo abdication "is bordering on criminal," and about 30 Blue Dogs are threatening to vote against AMT repeal without offsetting tax increases. They'd have more credibility if they also opposed the various fiscal gimmicks in the Schip and farm bills, not to mention the 2008 Congressional budget outline that exceeded President Bush's budget request by \$22 billion.

In any case, they'll have to reckon with New York Democrat Chuck Schumer, who helped doom paygo in the Senate. Mr. Schumer runs the Senate Democratic campaign committee, and he's raised boatloads of cash from hedge funds and private equity while winking that he can block the House's tax increase on their "carried interest." Let's see: Paygo, or more cash to elect more Democrats. Which do you think wins?

The larger relevance of this episode concerns the 2008 campaign. Hillary Clinton in particular has made paygo a major campaign theme because it makes her sound like a fiscal conservative while helping to justify tax increases. But, lo, guess who was missing on Thursday when the Senate voted 88-5 to ignore paygo on the AMT? None other than the candidate herself, along with Chris Dodd, Joe Biden and Barack Obama. To quote another Saturday Night Live character, "How convenient."

Mr. Bush, and especially the GOP Presidential candidates, should be using this paygo collapse to explain to Americans what a charade this Democratic line is. The 2003 tax cuts expire in 2010, and paygo will make them all but impossible to extend. Now's the time to bury paygo for good.

