111th CONGRESS
2nd Session

COMMITTEE PRINT

S. PRT.
111–45

CONCURRENT RESOLUTION ON THE BUDGET FY 2011

COMMITTEE PRINT TO ACCOMPANY

S. CON. RES. 60

together with

ADDITIONAL VIEWS AND MINORITY VIEWS

COMMITTEE ON THE BUDGET UNITED STATES SENATE

KENT CONRAD, *Chairman*

APRIL 2010

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

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U.S. GOVERNMENT PRINTING OFFICE

56–024cc WASHINGTON : 2010

For sale by the Superintendent of Documents, U.S. Government Printing Office
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TABLE OF CONTENTS

CONCURRENT RESOLUTION ON THE BUDGET: FISCAL YEAR 2011

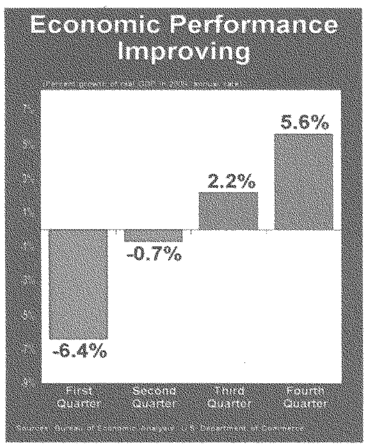
Note: All years are fiscal years unless otherwise noted.

1. OVERVIEW

The Senate Budget Committee-reported resolution for the Fiscal Year 2011 Senate Budget Resolution cuts spending and deficits, while making critical investments to strengthen the nation's economic recovery and promote long-term economic growth. It cuts spending as a share of the economy by 11 percent. It cuts the deficit as a share of the economy by 70 percent, bringing the deficit down to 3.0 percent of GDP by 2015. It includes $674 billion more deficit reduction than President Obama's budget. It invests in education and energy, laying the foundation for long-term economic security. And it cuts taxes by $780 billion.

Economic and Jobs Picture Improving
At the beginning of 2009, we were in the midst of the worst recession since the Great Depression. We faced crises in the housing and financial markets. And the economy was shedding jobs at an alarming rate.

The federal response to the downturn, including actions taken by the Federal Reserve and passage of the Economic Recovery Act, has produced a dramatic turnaround in this economic picture. Economic growth in the first quarter of 2009 was negative 6.4 percent. By the last quarter, it had improved to a positive 5.6 percent growth. And we have seen a steady improvement in the jobs picture as well. In January 2009 alone, the economy lost nearly 800,000 jobs. Job losses diminished through the year and, in the first quarter of 2010, job growth returned, with gains of 162,000 jobs in March.

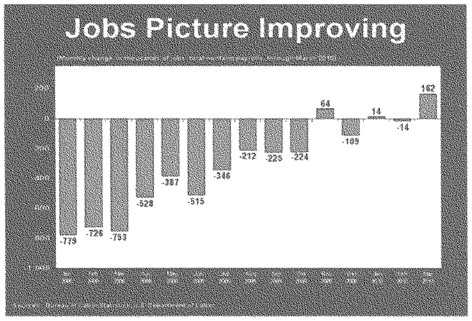


Despite this improving economic outlook, too many Americans remain out of work or are struggling to get by. The unemployment rate fell from 10.0 percent at the end of 2009 to 9.7 percent in the first three months of 2010, but that is still far too high.

Already this year, Congress has taken a number of further steps to strengthen the economy. The HIRE Act, enacted in March, provides a tax cut to encourage businesses to hire and retain workers, increases the amount that small businesses can expense for capital investments, expands financing options for investments in infrastructure, and extends authorization for surface transportation programs to ensure highway and transit projects continue through the summer construction season.

And Congress continues to work on legislation to extend Unemployment Insurance (UI) benefits and other provisions to aid the economic recovery.

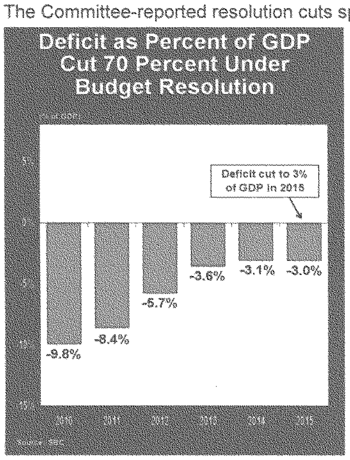
The Congressional Budget Office (CBO) has identified these policies as having positive effects on employment. In a January report requested by Senate Budget Committee Chairman Kent Conrad, CBO concluded that a tax cut to encourage hiring and retaining workers and an extension of Unemployment Insurance would be the two most effective policies for boosting employment in 2010.



The Committee-reported resolution takes additional steps to promote economic growth. It prioritizes discretionary programs that can have positive effects on employment, including investments in infrastructure, manufacturing, and trade promotion. It also provides assistance to small businesses. Finally, the Committee-reported resolution includes a reconciliation instruction that can be used later in the year for jobs legislation as well as reserve funds that can facilitate passage of other bills promoting employment growth.

Cutting Spending and Deficits
The fiscal challenge confronting the nation is tremendous. When President Obama took office at the beginning of 2009, he inherited a deficit for that year of $1.3 trillion. And the federal debt had almost doubled over the previous eight years, rising to $11.9 trillion in 2009.

The Committee-reported resolution cuts spending and the deficit over the five years of the plan.



Specifically, it cuts spending as a share of the economy by 11 percent, from 25 percent of GDP in 2011 to 22 percent in 2013 through 2015. A large portion of this reduction is due to restraints on non-security discretionary spending. The Committee-reported resolution freezes all non-security discretionary spending for three years, from 2011 through 2013. These levels are enforced with three-year limits on discretionary spending.

The Committee-reported resolution cuts the deficit as a share of the economy by 70 percent, from 9.7 percent of GDP in 2010 to 3.0 percent in 2015. Economists believe that, under current economic projections, a deficit of 3 percent of GDP would roughly stabilize the federal debt relative to GDP.

In dollar terms, the Committee-reported resolution reduces the deficit from $1.4 trillion in 2010 to $544 billion in 2015. It includes $674 billion more deficit reduction than the President's budget over the five years of the plan.

And the plan retains crucial budget enforcement provisions. It ensures that the Senate paygo rule is coordinated with the statutory paygo rule enacted this year. It also continues the requirement that reconciliation be used for deficit reduction only.

Importantly, the estimates of deficit reduction included in the Committee-reported resolution are based on CBO's January 2010 economic assumptions (see explanation in Economics section), which were not revised in CBO's March baseline. Since January, the near-term economic outlook has improved further, so it is likely that actual deficits under the Committee-reported resolution will end up being lower than projected. According to a recent report in the *Washington Post*, based on higher-than-expected revenues and lower-than-expected spending recorded during the first half of the year, Administration officials now expect the actual 2010 deficit to be closer to $1.3 trillion – or roughly $300 billion below OMB's estimate of $1.6 trillion in February.

Relative to a year ago, spending is significantly lower than expected for the Troubled Asset Relief Program (TARP). While the original TARP authorization requested by the Bush Administration in the fall of 2008 was for $700 billion, only about $490 billion has been used or committed so far. Of the remaining authorization, CBO now estimates that about $148 billion will never be used. The Committee-reported resolution assumes that all remaining spending authority under TARP will be canceled, and therefore, remaining funds cannot be spent and will not add to the debt; an amendment on this matter was adopted in committee.

Roughly $186 billion in TARP funds have already been repaid to the government, and roughly $20 billion has been received by the government through dividends, interest payments, warrant proceeds, and other distributions beyond the repayment of capital. These amounts have reduced the debt, and therefore have been built into the baseline and incorporated into the Committee-reported resolution. Future repayments of capital and future dividend, interest, and warrant proceeds will also go to pay down the debt.

Addressing Long-Term Fiscal Challenges

While the Committee-reported resolution makes important progress on the deficit over the five years of the plan, more will be needed to put the nation on a sound long-term fiscal course. Without significant reforms, the combination of the retiring baby boom generation, rising health care costs, and an outdated and inefficient revenue system will explode federal debt over the long term. CBO's long-term budget outlook projects that on our current course, debt could rise to 400 percent of GDP over the next 50 years – a clearly unsustainable level.

The historic comprehensive health care reform legislation enacted this year will make an important contribution to addressing the problem of rising health costs. The health reform law and the reconciliation act, when combined, are projected to reduce deficits by $143 billion (excluding debt service savings) over the first ten years (2010 – 2019) and by about $1.3 trillion over the second ten years. The CBO also concluded that the two measures will result in a long-term reduction in the federal budgetary commitment to health care. In addition, the health reform law includes a number of delivery system reforms that have the potential to provide even more long-term health savings.

To further address the projected long-term fiscal imbalance, President Obama has established by executive order a bipartisan fiscal commission, known as the National Commission on Fiscal Responsibility and Reform. The President's commission is modeled after the statutory bipartisan fiscal task force proposal of Senate Budget Committee Chairman Kent Conrad (D-ND) and Ranking Member Judd Gregg (R-NH), which received a strong bipartisan majority vote in the Senate, but fell short of the 60 votes needed for passage. Importantly, the President's commission is coupled with firm commitments from congressional leaders to bring the panel's recommendations to a vote. With these commitments, the President's executive order is as close as we can get to establishing a statutory commission, where votes on the panel's recommendations would be guaranteed. The

Committee-reported resolution includes a deficit-reduction reserve fund to ensure savings from the President's commission cannot be spent and are used to reduce deficits and debt.

Investing in Education and Energy
Within the context of a budget plan that freezes non-security discretionary spending for three years, the Committee-reported resolution still makes room for important investments in education and energy. These investments help lay the foundation for long-term economic strength and prosperity.

In the area of education, the Committee-reported resolution builds on the investments made in the Economic Recovery Act and the Health Care and Education Reconciliation Act. The Economic Recovery Act provided $100 billion for education programs, including incentives for states and local school districts to make further education investments. This federal education funding laid the groundwork for education reform and increased funding for key education programs. The Health Care and Education Reconciliation Act provided $42 billion over 2010 – 2019 for higher education programs by eliminating bank subsidies for student loans. Of this amount, $36 billion will be used to strengthen and stabilize Pell grant funding.

The Committee-reported resolution continues to invest in education, providing increases for early education, allowing for reforms to improve teaching and student learning, and funding programs to educate, support, and prepare students for college and career.

In the area of energy, the Committee-reported resolution provides resources to continue to reduce our dependence on foreign sources of energy, while creating clean energy jobs here at home. Specifically, it continues investments in alternative and clean energy technology, energy efficiency, and modernization of our energy infrastructure.

Supporting Our Troops
The Committee-reported resolution matches President Obama's proposed defense budget for 2011 of $574 billion and war costs of $159 billion. The Committee-reported resolution also provides for the additional $33 billion in 2010 requested by the President for the Department of Defense to fund ongoing operations.

The Congressional Budget Resolution
The annual budget resolution allows Congress to express its collective judgment on the overall level of spending, revenue, deficits, 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, deficit 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 2010 *The Budget and Economic Outlook: Fiscal Years 2010 to 2020*, as revised and updated in CBO's March 2010 *Preliminary Analysis of the President's Budget Request for 2011*, and as further revised by the Senate Budget Committee for legislation enacted since CBO completed its March baseline (most notably incorporating the effects of the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act of 2010). In preparing those projections, CBO followed the rules and guidelines contained in section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 (the Deficit Control Act). The Committee expresses its continued support for adhering to the rules and guidelines contained in section 257.

For discretionary spending (which is controlled by annual appropriations acts), the baseline rules provide that projections assume that discretionary appropriations are maintained at the level enacted in the current year (in this case, fiscal year 2010), adjusted for inflation. These rules are the same for both regular appropriations and appropriations for emergencies and overseas contingency operations. For instance, the CBO March 2010 baseline projects throughout the baseline period the $130 billion in emergency funding already provided for ongoing military operations and related defense spending in 2010, but does not assume the President's request for $37.5 billion in additional supplemental funding in 2010 for ongoing overseas contingency operations (including $4.5 billion in international affairs funding). (The President has also requested $12.5 billion in supplemental funding for other items in addition to overseas contingency 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. In the case of revenues, any excise tax dedicated to a trust fund is assumed to continue in the baseline even if it is scheduled to expire under current law. The Committee notes that the baseline and scoring rules combine to treat mandatory spending and revenues in a symmetrical and equivalent manner. Whether spending or revenue, the budget rules ensure consistency. That is, sunset dates are either ignored at both stages (scoring of legislation and baseline) or recognized at both stages.

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

2. SPENDING

The Committee-reported resolution cuts spending as a share of the economy, in part by meeting the President's call to freeze non-security funding for three years at the 2010 level, while still investing in key areas, such as education and energy. It also supports important increases in the defense, homeland security, and veterans budgets to maintain the nation's safety and security.

A. Discretionary

Overall, the Committee-reported resolution provides $1,124.2 billion in discretionary budget authority and $1,315.3 billion in outlays for discretionary programs in 2011. The amount of budget authority is $4 billion less than the President's request. These totals exclude emergency and supplemental war funding. As a share of the economy, overall discretionary spending will fall from 9.4 percent of GDP in 2011 to 7.1 percent in 2015.

The Committee-reported resolution further enhances fiscal responsibility by establishing discretionary spending limits on budget authority and outlays for 2010 – 2013:

2010 – $1,226.2 billion in budget authority and $1,366.9 billion in outlays
2011 – $1,122.0 billion in budget authority and $1,313.3 billion in outlays
2012 – $1,150.6 billion in budget authority and $1,250.8 billion in outlays
2013 – $1,171.0 billion in budget authority and $1,239.6 billion in outlays

These limits will be adjusted if the Appropriations Committee meets the conditions for certain program integrity initiatives, eventually bringing total regular discretionary funding to $1,124.2 billion in 2011 (further discussion of cap adjustments is included in the "Budget Process" section of this document). Within these budget authority limits, funding for non-security discretionary programs – that is, programs outside of Defense, International Affairs, Veterans, and Homeland Security – is held at or below the 2010 level for three years. This non-security freeze imposes significant discipline on discretionary spending.

Discretionary Spending in Committee-Reported Resolution
($ in billions, non-war, non-emergency budget authority)

	2010	2011 Pres.*	2011 Committee-reported resolution	Committee-reported resolution v. 2010	Committee-reported resolution v. President
Security					
Defense	554.1	573.8	573.8	19.7	0.0
International Affairs	50.9	58.8	54.8	3.9	-4.0
Veterans	53.2	57.2	57.2	3.9	0.0
DHS	38.2	42.3	42.3	4.1	0.0
Total Security	696.5	732.1	728.1	31.6	-4.0
Non-Security	397.3	396.2	396.2	-1.2	0.0
Total	**1,093.8**	**1,128.2**	**1,124.2**	**30.5**	**-4.0**

Note: 2010 amounts include a $3.0 billion transfer of BioShield funds from DHS to HHS. Defense includes all defense-related discretionary funding in Function 050, including DHS defense-related funding. Veterans includes all discretionary funding in Function 700.
*The President proposes to move the Pell program to the mandatory side of the budget; the Committee-reported resolution keeps Pell on the discretionary side. Therefore, for a more accurate comparison, the President's non-security request above includes the 2011 baseline level for discretionary Pell ($17.7 billion).

Security

Defense Discretionary and War Costs

The Committee-reported resolution fully funds the President's core defense budget request over the five-year budget window. National defense discretionary funding in the plan is $573.8 billion. This includes $548.9 billion in 2011 for the Department of Defense (exclusive of war funding).

The Committee-reported resolution makes taking care of our servicemen and women a top priority. It includes a deficit-neutral reserve fund to facilitate enactment of a proposal to expand "concurrent receipt" of military retired pay and veterans disability compensation to retirees who were medically retired from active service. The Committee-reported resolution also includes a deficit-neutral reserve fund to provide a "soft landing" program that would help reintegrate reservists and Guardsmen returning from war back into civilian life. Finally, it also provides a pay raise for the military, as well as increases in housing and subsistence allowances.

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

The Committee-reported resolution incorporates a $1.3 billion increase in the Department of Energy's National Nuclear Security Administration's budget to ensure the safety and security of our nuclear stockpile. The Committee-reported resolution also protects the renewed focus of the Department of Defense on keeping our nuclear enterprise safe and effective, including funding the Air Force's Global Strike Command.

The Committee-reported resolution reflects the President's request for additional 2010 war funding of $33.0 billion to support ongoing operations. If enacted, this will bring total war funding for 2010 to $163.0 billion. The Committee-reported resolution also provides for the President's 2011 war request of $159.3 billion. To account for these war costs, the Committee-reported resolution includes a cap adjustment provision for 2011 and updates the 2010 cap adjustment to include the increased war funding for Afghanistan. Like last year, the Committee-reported resolution includes war funding beyond this budget year to acknowledge our ongoing overseas commitments.

International Affairs

The President's request for international affairs activities in 2011 is $58.8 billion, $7.9 billion over the enacted 2010 levels, a 15.6 percent increase. The President has also requested an additional $4.5 billion for 2010 to help fund the civilian component of ongoing operations. The Committee-reported resolution recognizes the importance of this civilian effort to our current wars, which require significant civilian expertise to achieve our strategic objectives. The Committee-reported resolution, therefore, preserves the increase requested due to our current wars, as well as the supplemental funding. Additionally, the Committee-reported resolution also funds an increase of $1.2 billion for our nation's allies, including Israel, as part of the Middle East peace process.

Given our severely constrained fiscal environment, the Committee-reported resolution focuses on those capabilities crucial to our current wars and the Middle East and increases international affairs funding to $54.8 billion for 2011.

The Committee-reported resolution also provides $2.8 billion in 2010 for our country's efforts to help the people of Haiti.

Homeland Security

The Committee-reported resolution matches the Administration's request for homeland security by including $43.6 billion in 2011 for the Department of Homeland Security (DHS). This level represents all agency funding (including both defense and non-defense related activities). Excluding defense related activities, the amount is $42.3 billion. This funding will help keep Americans safe by strengthening efforts to combat terrorism, protect the border, and respond to emergencies. The Committee-reported resolution takes an additional step to protect the American people from threats to public health and safety by collecting a fee for inspection of international trash shipments at the U.S. border. The fee is assumed to generate approximately $45 million per year. The fee will help defray the cost of increasing the number and quality of inspections of these shipments at the border. The Committee-reported resolution supports continued efforts to eliminate redundancies and gain efficiencies as the Department matures, including full funding of the new headquarters currently under construction.

Veterans
The Committee-reported resolution supports the President's request for a 7.4 percent increase over the 2010 enacted level in funding for veterans benefits and services for a total of $57.2 billion in discretionary funds for 2011.

The Committee-reported resolution recognizes the deep debt our nation owes to those who have served in defending our country and continues to provide critical resources to ensure that they get the quality health care they deserve. The funding in the Committee-reported resolution will ensure that the Veterans Health Administration within the VA can provide the highest quality health care for all veterans, especially for our veterans with special health care needs, including those with mental health needs, spinal cord injuries, and for our female veterans. The Committee-reported resolution also ensures that the VA will have the resources to fund research on the conditions affecting our veterans, especially those with traumatic brain injuries.

Jobs

Transportation
The Economic Recovery Act made substantial investments in addressing the nation's backlog of transportation infrastructure projects. It has funded over 12,000 highway and bridge projects and nearly 950 transit projects to date. This infrastructure funding has clearly played a role in helping to revive our struggling economy. And infrastructure investments will have the added benefit of improving our nation's long-term economic efficiency.

The Committee-reported resolution recognizes that continued investments in transportation infrastructure are needed. The Committee-reported resolution, therefore, adopts the Administration's funding levels for the federal highway, transit, and highway safety programs to build the nation's highways, bridges, and transit systems. However, it continues the current practice of providing funding for these programs through mandatory contract authority and discretionary obligation limitations.

The Committee-reported resolution provides increased funding for the Federal Aviation Administration (FAA), including additional funding to develop the Next Generation Air Transportation System that will improve the efficiency and capacity of the nation's air traffic control system. It also includes $200 million for the Essential Air Service program to continue funding at the 2010 level. The Committee-reported resolution continues key investments in intercity passenger rail by providing $1 billion for high-speed rail and by providing increased funding for Amtrak. The Committee-reported resolution also includes $1 billion for national infrastructure investment grants, similar to the Economic Recovery Act's TIGER grant program, to support transportation projects that will have a significant impact on the nation, a metropolitan area, or a region, with an understanding that at least one quarter of the funding will be for projects located in rural states.

The Committee-reported resolution allows for additional transportation investments by providing a deficit-neutral reserve fund for infrastructure investments which could include reauthorization of surface transportation programs. The Committee-reported resolution realizes that surface transportation programs are at a crossroads. The growing costs of repairing highways and bridges are outpacing revenues dedicated to those programs. Spending authority for these programs has been provided as contract authority based on the fact that the programs have been supported by the Highway Trust Fund with revenues paid by transportation users. The reserve fund would accommodate legislation to reauthorize the federal highway, transit, and highway safety programs above current levels provided that the legislation protects the solvency of the Highway Trust Fund, and ensures the ability of the trust fund to continue to pay for those programs for the length of the surface transportation reauthorization. The infrastructure reserve fund would also be available for deficit-neutral legislation authorizing multimodal transportation projects, an important element of future transportation investments.

Small Business

The Committee-reported resolution recognizes the critical role small businesses play in job creation, and seeks to build upon the important small business investments that have been enacted already. Although financial markets have stabilized significantly since the height of the financial crisis, lending to small businesses remains weak and must be increased in order to solidify our economic recovery. The Committee-reported resolution, therefore, provides almost $1.1 billion for the Small Business Administration, an increase of $245 million over the 2010 enacted level (exclusive of supplemental funding) and provides a deficit-neutral reserve fund to support further efforts to improve credit availability to small business.

Manufacturing

Consolidation in the U.S. manufacturing sector poses unique challenges to communities hit hardest by the closing of manufacturing facilities. The Committee-reported resolution acknowledges the need to help American manufacturers and businesses remain competitive in the global marketplace by adopting advanced manufacturing technologies. Therefore, the Committee-reported resolution provides $330 million for Economic Development Administration grants to local governments to revitalize closed manufacturing plants. In addition, the Committee-reported resolution adopts the Administration's budget levels for the Industrial Technologies Program at the Department of Energy, Brownfields Assessment and Cleanup, and the Manufacturing Extension Partnership (MEP), which is dedicated to ensuring American small- and medium-sized manufacturers create jobs in the U.S. The Committee-reported resolution allows for additional spending on manufacturing programs or expanded tax credits for manufacturing by including a deficit-neutral reserve fund for legislation that would revitalize and strengthen the United States domestic manufacturing sector.

Green Jobs Act

The Committee-reported resolution supports increases for energy efficiency and renewable energy worker training programs as authorized under the Green Jobs Act. These programs not only protect the environment, but also promote economic recovery by training workers for jobs in emerging industries such as energy efficient construction, biofuels, and sustainable development manufacturing.

Worker Protection and Training

The Committee-reported resolution provides the President's requested level for two important new initiatives. It includes $50 million to help states develop and implement paid leave programs. State paid leave programs strengthen economic security for families, improve employer competitiveness and promote better outcomes for communities. In addition, the Committee-reported resolution provides $25 million to fund the Department of Labor's efforts to identify and deter misclassification of employees as independent contractors. Employers that engage in this activity do not pay taxes, such as Unemployment Insurance and Social Security, deny their employees legal protections, and disadvantage employers that follow the law.

The Committee-reported resolution also provides additional resources to promote fair labor standards and enhance employment opportunities in newly emerging industries. And it allows for investments in programs that target, train, and counsel the unemployed, such as Job Corps and the Workforce Investment Act.

The Committee-reported resolution provides resources for the Voluntary Protection Programs at the Occupational Safety and Health Administration (OSHA) to fund the workplace safety and health activities in this program. These resources reflect an amendment adopted in committee.

<u>Lacey Act</u>
The Committee-reported resolution provides $905 million in 2011 for the Animal and Plant Health Inspection Service (APHIS). This amount will help provide sufficient resources to enforce amendments to the Lacey Act, which passed in 2008 with overwhelming support from Congress, industry, labor, and environmental organizations. The Lacey Act amendments make it unlawful to trade wood products or other plants taken in violation of the laws of either a U.S. state or a foreign country. Full and effective implementation and enforcement of the Lacey Act will enable American forest product companies to compete fairly in the global marketplace, help keep jobs in the U.S., deter the destructive impacts of illegal logging on forests and forest-dependent communities in developing countries, and reinforce initiatives to mitigate climate change.

The Lacey Act requires U.S. importers of wood products to file a declaration identifying the species name and country of harvest – a critical measure intended by the law's sponsors to increase supply chain transparency and assist U.S. agencies in fair and strong enforcement. APHIS, which is responsible for implementing the declaration provision, needs adequate funding to establish an electronic declarations database and to add internal capacity to perform data analysis needed for monitoring and enforcement purposes.

<u>National Export Initiative</u>
The Committee-reported resolution provides a significant funding increase to trade-related agencies over their 2010 levels to meet the President's goal to double exports in the next five years. Specifically, the Committee-reported resolution assumes $534 million for the International Trade Administration and $259 million for the Foreign Agriculture Service. It also includes $54 million for the Office of the U.S. Trade Representative to help with export promotion, small business, and trade enforcement.

<u>Forestry Jobs</u>
The Committee-reported resolution provides $457 million for programs at the Bureau of Land Management and the U.S. Forest Service that fund forest thinning and restoration projects on our nation's public lands, creating immediate, on-the-ground work in the rural communities that have been particularly harmed by the downturn in the economy.

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

Education
The Committee-reported resolution provides additional resources for education programs to prepare American students to compete internationally and secure our nation's long-term economic outlook. It supports significant investments for programs at the Department of Education.

The Committee-reported resolution assumes additional investments in early childhood education programs, such as Head Start, which have long-term economic benefits by yielding savings in reduced social costs. Research shows that low-income children who enroll in early education programs have higher levels of educational achievement throughout life, higher rates of employment, greater earnings, and are less likely to be involved in criminal activity.

Given declining state and local revenues due to the economic downturn, it has been increasingly difficult for states to maintain funding for their education programs. Under federal law – the Individuals with Disabilities Education Act (IDEA) – states are required to cover the additional cost of educating students with disabilities. The increased funding for education in the Committee-reported resolution could be used to provide relief to states by increasing the federal share of educating students with disabilities.

The U.S. competitive educational advantage has eroded significantly in recent years, with our global competitors spending less money per student, but having better educational outcomes. The next generation is going to have to be highly skilled and productive if we want to promote economic growth and support an aging population without a decline in living standards. The Committee-reported resolution provides for additional investments in Elementary and Secondary Education Act (ESEA) programs. Additional funding within ESEA, for programs such as Title I, target low-income students and help to close the achievement gap. Authorized formula funding programs help high-poverty and rural school districts address the challenges of meeting ESEA requirements. Innovative strategies to improve student learning and support effective school leaders and teachers can enhance performance, decrease drop-outs, and ensure students graduate ready for college and careers.

Employers indicate that we are not producing enough trained workers with the skills for the modern workplace, especially in emerging industries. Increasingly, these sectors require some form of post-secondary education or job re-training. Moreover, access to college remains a barrier for many low- and moderate-income students and their families. The Committee-reported resolution ensures access and affordability to post-secondary education by assuming a total maximum Pell grant award of $5,550 in 2011 and additional funding for institutions of higher education.

Energy

Our nation continues to face a dangerous addiction to foreign oil and a threat from global climate change. In 2009, we relied on imports for 63 percent of our oil, and petroleum imports account for nearly half of the trade deficit. As a result, we are increasingly vulnerable to oil supply disruptions and instability in other parts of the world. And the still-weak credit market is limiting needed private sector investment in alternative energy technology.

To meet these challenges, the President and Congress have responded with an historic investment of resources to reduce our dependence on imported energy and create green jobs. The Economic Recovery Act included $38.7 billion to fund important energy priorities, such as modernizing the electric grid, renewable energy and transmission loan guarantees, local government energy efficiency and conservation grants, weatherization assistance, carbon capture and sequestration technology, energy efficiency and renewable energy research and development, and advanced battery development.

The Committee-reported resolution exceeds the President's request for 2011 energy discretionary funding by $500 million. The energy funding level in the Committee-reported resolution will provide increases for the Energy Efficiency and Renewable Energy program, which will accommodate investments in important priorities such as wind, solar, geothermal, biomass and biorefinery R&D, hydrogen, vehicle/building technologies, and the weatherization assistance program. The Committee-reported resolution also supports increased funding for the Energy Efficiency and Conservation Block Grant Program; and it includes increases to invest in the development of low carbon coal technologies, such as carbon capture and sequestration.

The Committee-reported resolution also recognizes the need for nuclear power to bridge the gap between current and future supplies of energy. It supports the President's request to increase loan guarantees for next generation nuclear reactors, while continuing to provide loan guarantees and research and development grants for innovative technologies that hold the promise of transforming the way we use energy and confront associated pollution issues.

The Committee-reported resolution increases funding for electricity delivery and energy reliability, and includes an energy reserve fund to accommodate legislation that advances important priorities such as reducing our nation's dependence on imported energy, producing green jobs, promoting renewable energy development, improving electricity transmission, and encouraging conservation and efficiency. It could also be used for a proposal to expand investments in transmission infrastructure and smart grid technology.

LIHEAP

The Committee-reported resolution provides $5.1 billion in discretionary funding for the Low Income Home Energy Assistance Program (LIHEAP). This will enable LIHEAP 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.

Child Care

The Committee-reported resolution assumes the President's requested discretionary level in 2011 for the Child Care and Development Block Grant, which will increase the number of children receiving child care assistance. In addition, the Committee-reported resolution includes a deficit-neutral reserve fund that would allow for additional child care assistance.

Fighting Crime

Law Enforcement

The Committee-reported resolution recognizes the important role the partnership between federal, state, and local law enforcement entities plays in maintaining safe communities. It includes $600 million for the Community Oriented Policing Service (COPS) hiring grant program. This funding is critical in many urban and rural areas in maintaining police presence, carrying out criminal investigations, and in training and equipping law enforcement officers. The Committee-reported resolution also includes $519 million for the Byrne/Justice Assistance Grant (JAG) program. This program provides flexible funding directly to law enforcement agencies leading to more widespread apprehension, prosecution and detention and rehabilitation of offenders who violate laws.

Border Security

The Committee-reported resolution includes $73 million to combat violence along the Southwest border. These funds will supplement efforts among federal agencies as they respond to an increased level of criminal activity related to Mexican drug cartels.

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 Medicare, Medicaid, CHIP, Social Security, Unemployment Insurance, and IRS enforcement.

In addition to supporting ongoing efforts at the Social Security Administration (SSA), the Committee-reported resolution, for example, provides for discretionary cap adjustments in 2011, 2012, and 2013 to fund the processing of additional Continuing Disability Reviews (CDRs) and Supplemental Security Income (SSI) redeterminations and to complete implementation of asset verification initiatives. As a result, the Committee-reported resolution assumes $2.8 billion over three years for these program integrity efforts at SSA, $1.9 billion of which is provided through cap adjustments. CDRs save approximately $10 for every $1 spent, and redeterminations save approximately $8 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 spending for Health Care Fraud Abuse and Control (HCFAC) activities that safeguard the Medicare, Medicaid, and CHIP programs from fraud and abuse. Over three years, the Committee-reported resolution provides discretionary cap adjustments of $1.8 billion for HCFAC program integrity efforts, such as identifying and reducing improper payments.

The Committee-reported resolution also provides increased funding to reduce Unemployment Insurance improper payments. Over three years, the Committee-reported resolution provides discretionary cap adjustments totaling $180 million for states and the Department of Labor to conduct in-person reemployment and eligibility assessments and improper payment reviews.

The Committee-reported resolution also supports enhanced Internal Revenue Service (IRS) tax enforcement to address the tax gap. It fully funds the President's budget request for the IRS and includes the President's request for additional resources for IRS enforcement. By including a discretionary cap adjustment of $1.1 billion, the Committee-reported resolution would direct a total of approximately $8.2 billion to IRS enforcement activities for 2011. Over three years, IRS enforcement totals $26.2 billion, $4.2 billion of which is provided through cap adjustments.

Health and Aging
Social Security Administration
The Committee-reported resolution assumes the President's full funding request of $12.5 billion for administrative expenses at SSA. The Committee-reported resolution commends the Administration for continuing efforts to address significant backlogs in disability claims and hearings and to expand program integrity efforts in the Social Security and SSI programs. This funding will help to reduce unacceptable delays for disabled individuals in receiving benefits and to ensure that program dollars are spent wisely at a time when SSA is facing a significant increase in new claims for disability and retirement benefits during the economic downturn.

Community Health Centers
The Committee-reported resolution builds upon the significant resources provided for community health centers in the recently enacted health care reform legislation, which included $11.0 billion in mandatory resources over five years. The Committee-reported resolution provides an increase for 2011 of $290 million above the 2010 enacted level in discretionary resources for community health

centers. These health centers are community-based providers of comprehensive primary and preventive health care that serve more than 16 million people, many of whom are uninsured or on Medicaid. These increases allow the health centers to expand access to the medically-underserved. In addition, the Committee-reported resolution provides an increase of $5.0 million for the State Health Access Program in the Health Resources and Services Administration (HRSA), which funds grants to states to expand access to affordable health care for the uninsured.

National Health Service Corps & Health Professions
The Committee-reported resolution builds upon the significant resources provided for the National Health Service Corps in the recently enacted health care reform legislation. The Committee-reported resolution provides an increase in 2011 discretionary funding for the National Health Service Corps and Health Professions, consistent with the President's budget request, to provide for an increase in the number of health professionals practicing in medically underserved areas, such as nurse practitioners, physicians, and dentists.

National Institutes of Health
The Committee-reported resolution provides funding consistent with the President's request for NIH funding in 2011, which will continue important investments for biomedical research at the National Institutes of Health (NIH), such as including support for cancer research. In addition, the Committee-reported resolution supports the NIH in meeting its new responsibilities following the enactment of health reform, such as improving health outcomes through the coordination of research activities on health disparities.

Rural Health
The Committee-reported resolution provides funding consistent with the President's request for Rural Health Activities in HRSA, such as Rural Health Outreach Grants, Rural Hospital Flexibility Grants and the Rural and Community Access to Emergency Devices program. These programs have helped to sustain the rural health care safety net.

Environment
Environmental Protection and Water Infrastructure
The Committee-reported resolution provides $10.4 billion for the Environmental Protection Agency (EPA), which-includes $3.5 billion for EPA's Clean Water and Drinking Water State Revolving Funds. The overall EPA funding level could also accommodate increases for Superfund, allowing the EPA to clean up more sites, as well as the brownfields program, and a variety of other EPA programs. Except for those explicitly stated in the Committee-reported resolution, it does not make assumptions with regard to other EPA programs.

Everglades
The Committee-reported resolution includes funding equivalent to the 2010 enacted level for the Army Corps of Engineers. It includes a small increase above the 2010 enacted level for the Department of Interior. These levels fully fund ongoing Everglades Restoration activities, including construction of authorized projects contained in the Comprehensive Everglades Restoration Plan and the Everglades National Park Expansion Act.

Aquatic Ecosystems
The Committee-reported resolution fully funds the Chesapeake Bay Program at $63 million and the National Estuary Program (NEP) at $35 million.

Oceans
The Committee-reported resolution matches the President's requested increase for the National Oceanic and Atmospheric Administration (NOAA), with the additional funds used primarily for the acquisition of climate satellites.

Public Lands
The Committee-reported resolution exceeds the President's request for the Department of the Interior and the Forest Service. It includes the President's proposal to increase funding for land acquisition programs.

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

Great Lakes Restoration
The Committee-reported resolution recognizes the need to address significant and long-standing problems affecting the major large-scale aquatic, estuarine, and coastal ecosystems nationwide. The Committee-reported resolution therefore fully funds the EPA's Great Lakes Restoration Initiative at $475 million to work with Great Lakes states, tribes, and local communities and organizations to address issues prioritized in the Great Lakes Regional Collaboration. This initiative could address issues such as invasive species, non-point source pollution, habitat restoration, and contaminated sediment. Furthermore, the Committee-reported resolution recognizes the particular threats posed by the Asian Carp to the economy of the entire Great Lakes region and the importance in implementing prevention activities from the Asian Carp Control Strategy Framework. The Committee-reported resolution also supports the President's proposal to use outcome-oriented performance goals and measures to target the most significant problems and track progress in addressing these ecosystems.

Corps of Engineers
The Committee-reported resolution recognizes the Corps of Engineers' role in maintaining our nation's infrastructure, and maintains funding for its construction and operations and maintenance accounts at the 2010 level.

Rural Water
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. It provides funding equal to the 2010 enacted level to support these vital rural water development projects.

Yucca Mountain
The Committee-reported resolution supports the President's request to close the Yucca Mountain nuclear repository and establish a blue ribbon commission to investigate alternatives.

Housing
The Committee-reported resolution supports the Administration's plans to preserve and increase the supply of affordable housing. It provides full funding in 2011 to maintain the Section 8 tenant-based Housing Choice Voucher program and the project-based Section 8 program. The Committee-reported resolution provides funding above the President's request to restore cuts to certain public

and Native American housing programs, including housing for the elderly and disabled. In addition, the Committee-reported resolution includes a deficit-neutral reserve fund that would allow for additional investments in housing assistance, including assistance provided through the Housing Trust Fund.

Native American Programs
The United States has a trust responsibility for the provision of public services to Indian people. The Committee-reported resolution provides significant funding for health care, public safety, housing, and education programs benefitting American Indians and Alaska Natives. The Committee-reported resolution also supports funding for the development of energy sources on Indian lands. The Native American population is facing a public safety and health care crisis. In response, the Committee-reported resolution provides $4.4 billion in funding for the Indian Health Service to improve the quality of health care services and facilities and $255 million for tribal public safety and justice grant programs at the Department of Justice to improve public safety on Indian lands. The Committee-reported resolution also provides $700 million for Native American Housing Block Grants.

NASA
The Committee-reported resolution provides $19.7 billion in 2011 for the National Aeronautics and Space Administration (NASA), an increase of $1 billion over the 2010 enacted level.

The President's budget also increases funding for NASA, although it dramatically alters plans for human spaceflight. The authorizing and appropriating committees continue to review those plans. Furthermore, restructuring of the Constellation program, as outlined in the President's budget, remains subject to Congressional approval.

NASA intends to retire the Space Shuttle fleet at the end of 2010, after completion of the current manifest. Recognizing that this deadline may not be met, and in order to avoid perceived schedule pressure leading to potential risk, the Committee-reported resolution provides funds for the manifest to be flown into 2011.

It remains the policy of the United States to possess the capability of continuous access to space. There currently exists a sizeable gap in this capability that will not be closed until a domestically-produced system, whether government- or commercial-led, is available. The Committee-reported resolution recognizes the strategic importance of uninterrupted access to space and supports efforts to reduce this gap.

The Committee-reported resolution also recognizes the need for continued testing of existing technologies and vehicles for the purpose of developing a new heavy-lift launch vehicle. This effort should be executed in concert with the advancement of commercial space access capabilities to low earth orbit (LEO) and a continued government-led development of a spacecraft capable of flight beyond LEO.

B. Mandatory

<u>Medicare</u>
Both the modified CBO baseline used as the basis for constructing the Committee-reported resolution and the totals in the Committee-reported resolution reflect the Medicare policies in the comprehensive health care reform legislation and the reconciliation legislation that are now law. In addition, the

Committee-reported resolution reflects the cost of extending Medicare physician payments at current levels through December 31, 2014. This funding level is consistent with the adjustment available for this program in the Statutory Pay-As-You-Go Act, which allows the cost of freezing payment rates at 2009 levels for five years to be excluded for purposes of enforcing the new statutory paygo rules. As a result, legislation that reforms or supersedes the current Sustainable Growth Rate (SGR) formula for physician payments will only be scored for paygo purposes to the extent that it costs more than this five-year freeze.

Education and Training
The reconciliation legislation enacted earlier this year included a number of critical education-related provisions. For higher education programs, the legislation eliminates bank subsidies and invests $42 billion in higher education programs, including $36 billion for Pell grants. The act will also:

- provide an inflation adjustment for Pell grants beginning in 2013;
- manage student loan debt by limiting the amount of loan repayment to 10 percent of discretionary income starting in 2014;
- invest in historically black colleges and other minority-serving institutions; and
- extend funding for other higher education programs.

Expanding post-secondary access and ensuring college affordability will promote U.S. economic growth and allow our students to compete globally. The Committee-reported resolution allows for additional investments in higher education programs by providing a deficit-neutral reserve fund.

Extension of Unemployment Insurance (UI) and COBRA
The Committee-reported resolution reflects an extension of UI benefits through the end of the year, as well as COBRA premium assistance to help the unemployed pay for health insurance.

Climate Change Legislation
The Committee-reported resolution recognizes that we have an obligation to current and future generations to take meaningful action to reduce greenhouse gas emissions. It includes a reserve fund to accommodate legislation that would invest in clean energy technology initiatives, decrease greenhouse gas emissions, create new clean technology jobs, increase cost savings through energy efficiency, diversify the domestic clean energy supply to increase the energy security of the U.S., or help families, workers, communities, and businesses make the transition to a clean energy economy.

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

Agriculture Programs
The Committee-reported resolution assumes the baseline levels for the nutrition, conservation, renewable energy, and farm safety net improvements included in the 2008 Farm Bill. However, given our current fiscal situation, the Committee-reported resolution recognizes that all areas of the federal budget need to be examined for savings. Recently, the Senate Agriculture Committee passed a Child Nutrition Program reauthorization without a dissenting vote, which included targeted savings in the Environment Quality Incentives Program (EQIP). The Committee-reported resolution supports these targeted EQIP savings. Additionally, CBO's March 2010 baseline assumes crop insurance outlays will be reduced as part of the Standard Reinsurance Agreement (SRA) negotiation. These savings are thus included in the baseline upon which the Committee-reported resolution is built.

Geothermal Lease Revenues
The Committee-reported resolution does not assume the savings included in the President's budget from eliminating payments to counties from geothermal leasing revenues.

Pay Freeze for Members of Congress
The Committee-reported resolution assumes that salaries and benefits for Members of Congress will be frozen at 2010 levels from 2011 through 2015; this reflects an amendment adopted in committee.

TARP to Cost Much Less Than Expected
The Troubled Asset Relief Program (TARP), which was established by the Bush Administration to prevent a collapse of the financial sector in the fall of 2008, is now expected to cost far less than earlier projections. While the original TARP authorization requested by the Bush Administration was for $700 billion, only about $490 billion has been used or committed so far. Of the remaining authorization, CBO now estimates that about $148 billion will never be used. The Committee-reported resolution assumes that all remaining spending authority under TARP will be canceled, and therefore, remaining funds cannot be spent and will not add to the debt; an amendment on this matter was adopted in committee.

Roughly $186 billion in TARP funds have already been repaid to the government, and roughly $20 billion has been received by the government through dividends, interest payments, warrant proceeds, and other distributions beyond the repayment of capital. These amounts have reduced the debt, and therefore have been built into the baseline and incorporated into the Committee-reported resolution. Future repayments of capital and future dividend, interest, and warrant proceeds will also go to pay down the debt.

Notably, many banks have already fully repaid their TARP funds to the federal government, including Goldman Sachs, Morgan Stanley, Bank of America, Wells Fargo, and U.S. Bancorp.
CBO estimates that the government will actually make a roughly $7 billion profit on its investments in financial institutions. And as a result of these repayments and other dynamics, CBO's credit reform score of TARP has fallen from $356 billion in March 2009, to $109 billion.

Additionally, any analysis of TARP must include consideration of the immeasurable cost averted as a result of its enactment. There is broad agreement that a failure to take decisive action in the face of a potential meltdown of the financial sector would have had a devastating impact on our economy as a whole, perhaps resulting in an economic downturn comparable to that of the Great Depression. Such an outcome would have devastated the job market, depressed U.S. wealth, and increased the public debt to a far greater degree than occurred.

3. REVENUES

The Committee-reported resolution provides net tax relief of $780 billion over the next five years targeted largely on the middle class. Much of this tax relief was specified in the Statutory Pay-As-You-Go Act of 2010, which allows the cost of extending certain tax provisions to be excluded for purposes of enforcing the new statutory paygo rules. In 2010, revenues are projected to be 14.7 percent of GDP, about the same as in 2009, which reflects the lowest revenue level in 60 years. With the economy beginning to recover, the Committee-reported resolution projects that more revenue will flow into the Treasury, returning to levels as a share GDP that are more consistent with periods of economic strength.

The Committee-reported resolution supports restoring fairness to the tax code and closing loopholes to shore up the revenue base. But to meet our long-term fiscal and economic needs, we will need to do more than just tinker around the edges of our current tax system, which is riddled with inefficiencies and is badly out-of-date for meeting the challenges of our 21st Century economy. Instead, we need to address the fundamental flaws in the tax code through tax reform. Only by reforming the tax code can we ensure that the nation will have a sustainable revenue base, that our tax system will be simpler and fairer than the current code, and that it will help make American businesses more competitive. The Committee-reported resolution supports moving towards fundamental tax reform as quickly as possible, and encourages the President's National Commission on Fiscal Responsibility and Reform to make tax reform one of its top priorities.

Revenue Changes in Committee-Reported Resolution
($ in billions)

	2011-2015
Middle-class tax relief	-619
AMT relief	-131
Estate tax reform	-14
Other relief for individuals, families	-34
Extenders, business provisions	-96
Subtotal, tax relief	**-894**
Loophole closers, other raisers	+114
Total, tax proposals	**-780**

Tax Relief for the Middle Class
The Committee-reported resolution provides substantial tax relief for the middle class. The middle class has been hard hit by the recession. The median income of working households fell in inflation adjusted terms by $2,200 between 2000 and 2008, and these families continue to struggle even as the economy recovers.

Last year, to bolster the middle class and help stimulate the economy, Congress provided temporary tax relief in the Economic Recovery Act that benefitted 98 percent of working Americans. All of this tax relief, as well as provisions enacted in 2001 and 2003, will expire in 2010 without further action by Congress.

The Committee-reported resolution reflects the permanent extension of the 2001 and 2003 income tax provisions for couples with incomes below $250,000 and singles with incomes below $200,000, consistent with middle-class tax policies exempted from paygo in the Statutory Pay-As-You-Go Act. These policies include:

- 10 percent bracket, Child Tax Credit, marriage penalty relief – The Committee-reported resolution would make permanent these three provisions, which were the core middle-class provisions enacted in 2001. It also assumes that the related expansions of the Child Tax Credit and the Earned Income Tax Credit (EITC) for married couples included in the Economic Recovery Act are extended.
- 25 and 28 percent brackets, and part of the 33 percent bracket – The Committee-reported resolution would make these rate reductions permanent, continuing all of the rate reductions for couples with incomes below $250,000 and singles below $200,000.
- Capital gains and dividends – The Committee-reported resolution would continue the 15 percent rate for capital gains and dividend income for couples with incomes below $250,000 and singles below $200,000.
- Incentives for families – The Committee-reported resolution also would continue 2001 provisions that benefit families, such as the adoption tax credit, the dependent care credit, employer-provided child care credit, the deduction for student loan interest, and the exclusion for employer-provided educational assistance.

In addition to preventing the expiration of this middle-class tax relief, the Committee-reported resolution reflects other tax proposals for individuals and families from the President's budget, which are paid for. These include proposals to encourage savings by expanding the existing "savers credit," including making it fully refundable; requiring employers that do not offer 401(k)s to offer automatic enrollment in IRAs; allowing employees to contribute to IRAs through payroll tax deductions; and doubling the tax credit for small employer retirement plan start up costs. The Committee-reported resolution also reflects the President's proposal to expand the Child and Dependent Care Tax Credit, and continue the expansion of the EITC for families with three or more children.

AMT Relief

The Committee-reported resolution assumes two years of Alternative Minimum Tax relief, in 2010 and 2011, consistent with the exemption for AMT relief in the Statutory Pay-As-You-Go Act. This AMT patch would ensure that the number of taxpayers affected by the AMT would not increase above 2008 levels.

The Committee-reported resolution ensures that the cost of AMT relief does not have to be offset while the economy is recovering from recession, and creates an opportunity for the President's bipartisan fiscal commission to develop tax reform proposals to address the AMT permanently in a way that does not increase the deficit.

Estate Tax Reform

The Committee-reported resolution assumes the estate tax will reflect the 2009 estate tax parameters, with an exemption of $3.5 million ($7 million for a couple) indexed to inflation, and a top rate of 45 percent, in 2010 and 2011. This assumption is consistent with the exemption provided in the Statutory Pay-As-You-Go Act.

The Committee-reported resolution anticipates that the President's bipartisan fiscal commission will develop permanent estate tax reforms as part of its proposals for a more sustainable revenue base.

Extenders
The Committee-reported resolution would extend through 2011 tax provisions that expired in 2009 or will expire at the end of 2010, and that have been routinely extended in the past. Often referred to as "extenders," these provisions include, among others, the research and experimentation tax credit, the deduction for state and local sales taxes, the deduction for teacher classroom expenses, the exception for active financing income, and a range of energy incentives. The Committee-reported resolution also assumes a one-year extension of the American Opportunity Tax Credit, which supports higher education and is partially refundable.

Business Provisions
The Committee-reported resolution calls for small business tax relief. It assumes the permanent extension of the Section 179 provision, allowing small businesses to expense up to $125,000 of capital expenditures, consistent with the exemption provided in the Statutory Pay-As-You-Go Act. In addition, it includes the President's proposals to eliminate capital gains taxation on certain small business stock held for more than five years, and the tax on the personal use of business cell phones and similar communication devices. The Committee-reported resolution also includes the President's request to expand the tax credit for investments in advanced energy manufacturing. And it also assumes the permanent extension and reform of Build America Bonds.

Tax Relief, Tax Reform, and Other Revenue-Related Reserve Funds
The Committee-reported resolution includes a deficit-neutral reserve fund for tax relief and tax reform. The tax relief portion of the reserve fund is specifically designed to accommodate any tax relief, including the extension of expiring provisions and refundable tax credits, as long as the cost of this tax relief is offset. The tax reform portion of the reserve fund would provide for comprehensive tax reform that would ensure a sustainable revenue base in a tax system that promotes simplicity, fairness, and competitiveness.

In addition, the Committee-reported resolution includes a deficit-reduction reserve fund to promote corporate tax fairness. The reserve fund seeks to ensure that large, profitable corporations that pay no Federal income tax will pay their fair share, and that any savings are used to reduce the deficit. The Committee-reported resolution also includes other revenue-related, deficit-neutral reserve funds that address tax relief for small businesses, low- and middle-income households, and retirees. Also, other reserve funds, such as those designated for infrastructure, education, and energy, would accommodate tax proposals.

Loophole Closers and Other Revenue Raisers
The Committee-reported resolution assumes enactment of loophole closers and other revenue-raising provisions to offset the cost of tax relief beyond the extension of those tax provisions specified in the Statutory Pay-As-You-Go Act. The Committee-reported resolution assumes that the Finance Committee will work closely with the Obama Administration to develop the specific proposals needed to achieve the revenue levels set in the resolution.

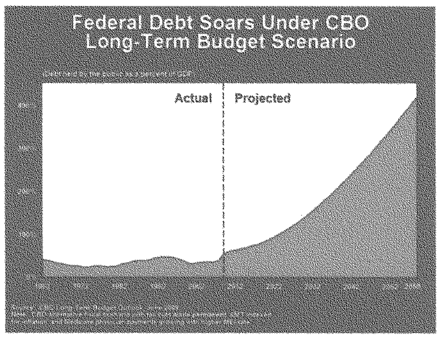
The IRS estimated that the tax gap in 2001 totaled $345 billion – a total that has surely grown. Moreover, this outdated and growing figure does not fully account for the revenue that is lost each year as a result of the billions of dollars hidden in offshore tax havens and shelters. Unfortunately, the previous Administration blocked efforts to address the tax gap.

In the face of severe fiscal challenges, the need to address flaws in the tax code is even more urgent. Congress and the Administration have taken some important steps to close loopholes and improve compliance, for instance, by codifying the economic substance doctrine and requiring disclosure of foreign accounts. But more action is needed to simplify the tax code to make it easier for taxpayers to comply, and to improve and strengthen tax enforcement to combat willful noncompliance.

While the first step in raising needed revenues is to collect those taxes that are already due under current laws, any changes to the tax code should also strive to make it more progressive and fair. A 2008 study by the Government Accountability Office found that a majority of large corporations paid no income tax in at least one year between 1998 and 2005, and that most of those firms had no tax liability in multiple years. The IRS recently found that the wealthiest 400 people are paying a lower share of their income in taxes than they were in the 1990s, even as their incomes have risen substantially. When profitable corporations or wealthy individuals pay little or no taxes, it not only shortchanges the government of needed revenues but also undermines confidence in our tax system and its ability to distribute the tax burden in a fair and appropriate manner.

4. LONG-TERM FISCAL CHALLENGES

The combination of the retiring baby boom generation, rising health care costs, and an outdated and inefficient revenue system are projected to explode federal debt to an absolutely unsustainable level. Publicly held debt as a share of gross domestic product (GDP) will surpass 60 percent this year. Without meaningful steps toward fiscal reform, CBO projects that the deficits implied by current law, plus the extension of policies that are regularly enacted, will propel the debt along an explosive long-term trajectory. If left unchecked, growth of the debt will exceed the growth of the nation's income by an ever-widening margin and, over the next 50 years, the debt will be on track to exceed 400 percent of GDP.



However, long before things reached that extreme point, painful and unmanageable economic adjustments would likely begin. At some point, foreign investors would lose confidence and become convinced that a U.S. debt crisis is unavoidable and sharply reduce their purchases of dollar-denominated assets. This would cause a precipitous decline in the U.S. dollar and a rise in domestic interest rates, which, in turn, would trigger self-reinforcing waves of declining economic performance both here and abroad.

While such a future may not be imminent, it will be inevitable if we fail to address the long-term debt explosion.

Moreover, it is essential that we act sooner rather than later. We need to begin making tough choices now, so that policies can be phased in once the economy has more fully recovered. The costs of delaying action on the long-term problem will rise as time passes. An ever-growing federal debt will put upward pressure on interest rates. Increasingly, the mounting debt will "crowd out" productive investment, increase our indebtedness to overseas creditors, and divert federal government resources from other uses toward paying interest on the debt. Diminished rates of national investment and increased foreign claims on the returns to productive investment mean that American living standards would decline over the long run.

While fiscal adjustments are never easy, they are far more manageable when undertaken in advance of a debt crisis. Early action also reduces the uncertainty facing the households and businesses affected by the fiscal adjustments, allowing them to adjust more confidently and smoothly to the policy changes.

Health Care Reform
Rising health care costs remain the biggest driver of the projected long-term debt explosion. One in every six dollars in the economy is spent on health care right now, and CBO has projected that total health care spending will grow to 38 percent of GDP by 2050. And federal spending on Medicare and Medicaid will reach 12.7 percent of GDP by 2050. Health care costs are not only threatening the government's finances, but are imposing crippling burdens on families and businesses. These costs are driving our long-term fiscal imbalances and threatening our future economic prosperity. And there

is clear evidence that not all of this spending is contributing to better health care for Americans. According to work by the Dartmouth Atlas Project, nearly 30 percent of total spending in our health care system is wasteful and does nothing to improve health outcomes.

The historic comprehensive health care reform legislation enacted this year will make an important contribution to addressing the problem of rising health costs. This health reform legislation will provide coverage to 32 million uninsured Americans, expand choice and competition in the health insurance marketplace, stop insurance company abuses, and fundamentally change the delivery of health care to provide more value for the dollars the government, employers, and families are spending. This legislation was fully paid for and, when combined with the reconciliation legislation that followed, reduces the deficit by $143 billion over the first ten years and by as much as $1.3 trillion over the second ten years.

The delivery system reforms in the legislation are particularly important, because they could reap further long-term savings for the federal government and private health spending. The key delivery system reforms include:

- establishing an Independent Payment Advisory Board to curb excess cost growth in Medicare without compromising quality;
- giving providers incentives to coordinate care, such as through accountable care organizations and bundled payments for services;
- paying hospitals and physicians for quality and value and not simply quantity of services delivered;
- creating a new Innovation Center at the Centers for Medicare and Medicaid Services to rapidly test and evaluate models of delivering high quality and value through federal health programs;
- penalizing hospitals with high rates of avoidable readmissions of Medicare beneficiaries and hospital acquired infections; and
- establishing a non-profit Patient-Centered Outcomes Research Institute.

While CBO did not score significant short-term savings to all of the delivery system reforms, these reforms clearly have the potential to fundamentally alter the delivery of care in our health system and to control health care cost growth for the federal government, employers, and families in the future.

Bipartisan Fiscal Commission

To further address the projected long-term fiscal imbalance, President Obama has established by executive order a bipartisan Fiscal Commission, known as the National Commission on Fiscal Responsibility and Reform. The President's Commission is modeled after the statutory bipartisan fiscal task force proposal of Senate Budget Committee Chairman Kent Conrad (D-ND) and Ranking Member Judd Gregg (R-NH), which received a strong bipartisan majority vote in the Senate, but fell short of the 60 votes needed for passage. Importantly, the President's Commission is coupled with firm commitments from congressional leaders to bring the panel's recommendations to a vote. With these commitments, the President's executive order is as close as we can get to establishing a statutory commission, where the votes would be guaranteed.

The President's bipartisan Fiscal Commission is broadly charged with identifying policies to improve the nation's fiscal condition over the medium-term and to achieve fiscal sustainability over the long-term. In particular, the Commission is tasked with proposing policies that would balance the federal budget, excluding interest payments on the debt, by 2015. The Commission's recommendations must be approved by 14 of its 18 members, and its final report is due December 1. Congressional leaders have pledged to put those recommendations to a vote before the end of the year.

The Commission undertakes its charge even as the nation struggles to recover from the most protracted and severe downturn since the Great Depression. Certainly, the need to return to fiscal discipline and the costs of delaying fiscal reforms must be balanced against the ongoing need to ensure the economy stays on the path of a sustainable recovery. By making a credible commitment today to reduce the federal debt once the economy has moved more solidly into recovery, the federal government would reduce current uncertainty about future fiscal policy and gain some flexibility in supporting the recovery. Moreover, achieving and maintaining fiscal balance will ultimately afford the federal government the ability to respond aggressively to future emergencies.

5. RESERVE FUNDS AND BUDGET PROCESS

Title II. Reserve Funds

The Committee-reported resolution includes a number of reserve funds that will allow the Chairman to revise committee allocations, budgetary aggregates, limits, and other levels in the resolution for deficit-neutral or deficit-reduction legislation to address the priorities specified in the reserve funds. Deficit-reduction reserve funds further allow the Chairman to make adjustments to the Senate's PAYGO ledger to ensure that savings in qualifying legislation are preserved for deficit reduction only, and are not available as an offset for subsequent legislation.

Sec. 201. PROMOTE EMPLOYMENT AND JOB GROWTH.

(a) Employment and Job Growth. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation related to employment and job growth, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(b) Small Business Assistance. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would provide assistance to small businesses, including increasing the availability of credit from banks or credit unions, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(c) Unemployment Relief. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reduce the unemployment rate or provide assistance to the unemployed, particularly in the states and localities with the highest rates of unemployment, or improve the implementation of the unemployment compensation program, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(d) Trade. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation related to trade, including Trade Adjustment Assistance programs, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(e) Manufacturing. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would revitalize and strengthen the United States domestic manufacturing sector, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(f) Improving Forest and Watershed Health and Resiliency. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would improve forest and watershed health and resiliency, including programs that reduce the risk of forest fires, insect or disease outbreaks, or the spread of invasive species, thereby creating natural resource jobs, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 202. FURTHER STABILIZE AND IMPROVE THE REGULATION OF THE FINANCIAL AND HOUSING SECTORS. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation related to the regulation of financial markets, firms, or products, or to otherwise stabilize or strengthen the financial and housing sectors of our economy, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 203. TAX RELIEF AND REFORM.

(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 legislation that provide tax relief, including but not limited to extensions of expiring and expired tax relief or refundable tax relief, by the amounts provided in that legislation for those purposes, provided that the provisions in such legislation other than those providing for the extension of policies defined in section 304 (c)(2), (c)(3), or (c)(4) of this concurrent resolution would not increase the deficit over the total of fiscal years 2010-2015 and 2010-2020. Revisions made pursuant to this subsection shall not include amounts associated with the extension of policies defined in section 304 (c)(2), (c)(3), or (c)(4) of this concurrent resolution.

(b) Tax Reform. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that reform the Internal Revenue Code to ensure a sustainable revenue base and that lead to a fairer and more efficient tax system and to a more competitive business environment for United States enterprises, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 204. INVEST IN CLEAN ENERGY AND PRESERVE THE ENVIRONMENT.

(a) Investing in Clean Energy and Preserving the Environment. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation to reduce our Nation's dependence on imported energy; promote renewable energy development or produce clean energy jobs; accelerate the research, development, demonstration and deployment of advanced technologies to capture and store carbon dioxide emissions from coal-fired power plants and other industrial sources, and to use coal in an environmentally acceptable manner; strengthen and retool manufacturing supply chains; promote clean energy financing; encourage conservation and efficiency or improve electricity transmission; make improvements to the Low-Income Home Energy Assistance program; set aside additional funding from the Oil Spill Liability Trust Fund for Arctic oil spill research; implement water settlements; provide additional resources for wildland fire management activities; or preserve, restore or protect public lands, oceans, coastal areas, or aquatic ecosystems, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020. The legislation could include tax proposals.

(b) Climate Change Legislation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would invest in clean energy technology initiatives, decrease greenhouse gas emissions, create new jobs in a clean technology economy, strengthen the manufacturing competitiveness of the United States, diversify the domestic clean energy supply to increase the energy security of the United

States, protect consumers (including policies that address regional differences), provide incentives for cost savings achieved through energy efficiencies, provide voluntary opportunities for agriculture and forestry communities to contribute to reducing the levels of greenhouse gases in the atmosphere, or help families, workers, communities and businesses make the transition to a clean energy economy, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 205. ASSIST WORKING FAMILIES AND CHILDREN.

(a) Child Nutrition and WIC. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reauthorize child nutrition programs or the Special Supplemental Nutrition Program for Women, Infants, and Children (the WIC program), provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(b) Income Support and Child Care. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation related to child care assistance for low-income families, the Social Services Block Grant (SSBG), the Temporary Assistance for Needy Families (TANF) program, which could include the TANF contingency funds, child support enforcement programs, or other assistance to low-income families, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(c) Housing Assistance. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation related to housing assistance, which may include low-income rental assistance, or assistance provided through the Housing Trust Fund created under section 1131 of the Housing and Economic Recovery Act of 2008, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(d) Child Welfare. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation related to child welfare programs, including strengthening the recruitment and retention of foster families, or improving the Federal Foster Care payment system to better support children, improve family support, family preservation, family reunification services, address the needs of children prior to removal, during removal, and post placement, or address the needs of children who have been abused or neglected, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 206. INVESTMENTS IN AMERICA'S INFRASTRUCTURE.

(a) Infrastructure. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would provide for Federal investment in America's infrastructure, which may include public housing, energy, water, wastewater, transportation, freight and passenger rail, or financing through Build America Bonds, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(b) Surface Transportation. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would provide new contract authority paid out of the Highway Trust Fund for surface transportation programs to the extent such new contract authority is offset by an increase in receipts to the Highway Trust Fund (excluding transfers from the general fund of the Treasury into the Highway Trust Fund not offset by a similar increase in receipts), provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(c) Multimodal Transportation Projects. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would authorize multimodal transportation that include performance expectations, metrics, and a schedule for reports on results, provided the legislation is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(d) Flood Control Projects and Insurance Reform. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would provide for levee or dam modernization, maintenance, repair, and improvement, increase the resources available to prevent or mitigate flooding or the damage caused by flooding, or provide for flood insurance reform and modernization, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 207. AMERICA'S VETERANS AND RETURNING AND WOUNDED SERVICEMEMBERS. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would: expand the number of disabled military retirees who receive both disability compensation and retired pay (concurrent receipt); reduce the offset between Survivor Benefit Plan annuities and Veterans' Dependency and Indemnity Compensation; enhance or maintain the affordability of health care for military personnel, retirees, or veterans; improve disability benefits for wounded military personnel or veterans; promote adjustment from combat to civilian life for Reserve Component service members; or expand veteran's benefits, including for veterans living in rural areas or for caregivers providing assistance to veterans, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 208. HIGHER EDUCATION. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that make higher education more accessible or affordable, which may include legislation to expand and strengthen student aid, by the amounts provided in such legislation for those purposes, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020. The legislation may include tax provisions.

Sec. 209. HEALTH CARE.

(a) Physician Reimbursement. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that increases the reimbursement rate for physician services under Medicare Part B or that includes or expands incentives for physicians to improve the quality and efficiency of care provided to Medicare beneficiaries, provided that the provisions in the legislation, other than those providing for the extension of policies defined in section 304(c)(1) of this concurrent budget resolution, would not increase the deficit over the total of fiscal years 2010-2015 and 2010-2020.

(b) Health Care Workforce. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that addresses shortages of nurses, physicians, or other health professions or that encourages physicians to train in primary care, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(c) Therapy Caps. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that protects Medicare beneficiaries' access to outpatient therapy services (including physical therapy, occupational therapy, and speech-language pathology services), provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(d) Extension of Expiring Health Policies. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that extends expiring Medicare, Medicaid (including FMAP assistance to states), or other health provisions, such as COBRA subsidies, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

(e) Benefits. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that makes changes to health or other benefits for federal workers, including postal retiree health coverage, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 210. INVESTMENTS IN OUR NATION'S COUNTIES AND SCHOOLS. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would make changes to or reauthorize the Secure Rural Schools and Community Self Determination Act of 2000 (Public Law 106–393), make changes to the Payments in Lieu of Taxes Act of 1976 (Public Law 94–565), or both, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 211. THE FEDERAL JUDICIARY. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that authorizes salary adjustments for justices and judges of the United States or increases the number of federal judgeships, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 212. RECOMMENDATIONS OF THE NATIONAL COMMISSION ON FISCAL RESPONSIBILITY AND REFORM. The Committee-reported resolution further supports the work of the President's Fiscal Commission with a deficit-reduction reserve fund. This reserve fund would ensure that deficit reduction achieved as a result of the Commission's recommendations would be preserved to improve America's long-term fiscal stability. If the Commission's recommendations are enacted into law, the Chairman of the Budget Committee is authorized to reduce committee allocations, and make adjustments to spending and revenue aggregates and other relevant levels and limits in this resolution. The Chairman is also authorized to remove any resulting credits from the Senate's PAYGO scorecards so that the deficit reduction achieved by the recommendations cannot be used as an offset for subsequent legislation

Sec. 213. **IMPROPER PAYMENTS.** The Committee-reported resolution allows the Chairman of the Budget Committee to make the adjustments necessary to protect deficit reduction achieved by any legislation that saves money through the reduction of improper payments. The Chairman is also authorized to remove any resulting credits from the Senate's PAYGO scorecards so that the deficit reduction achieved by the legislation cannot be used as an offset for subsequent legislation.

Sec. 214. **TERMINATED PROGRAMS.** The Committee-reported resolution requires the Chairman of the Budget Committee to reduce the discretionary spending limits, budgetary aggregates, and allocations in the resolution for one or more pieces of legislation that achieves savings by eliminating the funding for any discretionary program, project, or account recommended for termination in the "Terminations, Reductions, and Savings" volume that accompanies the Budget of the U.S. Government for the budget year and prior two fiscal years.

Sec. 215. **SMALL BUSINESS TAX RELIEF.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would protect business pass-through income from increases in the 33 percent and 35 percent individual income tax rates, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 216. **GREATER ACCOUNTABILITY FOR RECOVERY ACT FUNDING.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would increase accountability for funding under the American Recovery and Reinvestment Act of 2009 through federal agency performance measurement and tougher recipient reporting requirements, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 217. **GREATER ACCOUNTABILITY FOR HEALTH CARE REFORM.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels and limits in the resolution for one or more pieces of legislation that would set performance metrics and milestones to measure changes in the level of health care coverage and in the cost and quality of health care service delivery under the Patient Protection and Affordable Care Act, and any amendments to it, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 218. **REDUCING TAX INCREASES ON LOW- AND MIDDLE-INCOME AMERICANS.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would delay any tax increases enacted under the Health Care and Education Reconciliation Act of 2010, in combination with the Patient Protection and Affordable Care Act, until January 1, 2014, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 219. **PROMOTE CORPORATE TAX FAIRNESS.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reduce the deficit through tax policies that would ensure that large, profitable corporations paying no federal income taxes will pay their fair share, provided that savings achieved through such legislation are used for deficit reduction only. The Chairman is also authorized to remove any resulting credits from the Senate's PAYGO scorecards so that the deficit reduction achieved by the legislation cannot be used as an offset for subsequent legislation.

Sec. 220. **REDUCING TAX INCREASES ON LOW- AND MIDDLE-INCOME AMERICANS AND PROTECTING RETIREES.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would reduce the adjusted gross income threshold for the unreimbursed medical expense itemized deduction from 10 percent to 7½ percent and reinstate the business deduction for the Medicare Part D employer subsidy, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 221. **TAXPAYER ACCESS TO IRS APPEALS.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would redeploy existing IRS resources to provide at least one full-time IRS appeals officer and one full-time settlement agent in every state, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 222. **MAKE IT MORE DIFFICULT FOR CORPORATIONS TO INFLUENCE ELECTIONS.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that furthers campaign finance reform, including increased oversight by federal regulators, provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 223. **REPEAL DEDUCTIONS FROM MINERAL REVENUE PAYMENTS TO STATES.** The Committee-reported resolution allows the Chairman of the Budget Committee to revise the levels in the resolution for one or more pieces of legislation that would repeal the requirement to deduct certain amounts from onshore mineral revenues payable to the States under the heading "Minerals Management Service" under the heading "Department of the Interior" of the Interior Department and Further Continuing Appropriations, Fiscal Year 2010 (Public Law 111-88), provided it is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Sec. 224. INCREASING TRANSPARENCY REGARDING FOREIGN HOLDERS OF U.S. DEBT AND ASSESSING RISKS RELATED TO THE FEDERAL DEBT. The Committee-reported resolution allows the Chairman of the Budget Committee to revise the allocations, aggregates, and other appropriate levels in the resolution for one or more pieces of legislation that –

(1) improve the transparency and reporting of foreign holdings of U.S. debt;

(2) require the President to provide quarterly assessments to Congress on the national security and economic risks posed by current levels of foreign-held U.S. debt;

(3) require the President to formulate and submit a plan of action to reduce such risks; and

(4) require the Comptroller General to provide annual assessments to Congress of the national security and economic risks posed by foreign-held U.S. debt;

- provided that these adjustments can be made only if such legislation is deficit-neutral over the total of fiscal years 2010-2015 and 2010-2020.

Title III. Budget Process

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

The 2008, 2009, and 2010 budget resolutions included many important enforcement provisions which remain in effect. These include:

2008 Budget Resolution (S. Con. Res. 21)
- **The Senate pay-as-you-go point of order** (Sec. 201);
- **The 60-vote point of order against reconciliation increasing the deficit** (Sec 202); and
- **Continued 60-vote enforcement of budgetary points of order in the Senate** (Sec. 205).

2009 Budget Resolution (S. Con. Res. 70)
- **The 60-vote point of order against legislation increasing long-term deficits** (Sec. 311); and
- **The 60-vote point of order against provisions of appropriations legislation that constitute changes in mandatory programs** (Sec. 314).

2010 Budget Resolution (S. Con. Res. 13)
- **The 60-vote point of order against legislation that increases the short-term deficit** (Sec. 404)

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

SUBTITLE A – BUDGET ENFORCEMENT

Sec. 301. Discretionary Spending Caps.
The Committee-reported resolution would strengthen fiscal responsibility by establishing discretionary spending limits for 2010 through 2013 and enforcing them with a point of order in the Senate that could only be waived with 60 votes. The discretionary cap levels assume a non-security discretionary spending freeze. The discretionary caps for each year are set forth in the spending section above.

As in past years, the Committee-reported resolution permits adjustments to the discretionary spending limits in 2011 – 2013 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 2010 through 2013 for expenses related to the wars in Iraq and Afghanistan, as well as other Presidential supplemental requests for FEMA, Haiti and other items for 2010. This section includes a Committee-adopted amendment that limits the Chairman's authority to make this cap adjustment to qualifying legislation that does not increase the deficit over the period of the budget year and the following nine years.

Sec. 302. Advance Appropriations.
As in past years, the Committee-reported resolution provides a supermajority point of order in the Senate against appropriations in 2011 bills that would first become effective in any year after 2011,

and against appropriations in 2012 bills that would first become effective in any year after 2012. It does not apply against appropriations for veterans medical services, support, or facilities, or 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 2011 and 2012 of up to $28.852 billion (the same level as provided for in the 2010 Budget Resolution) for the following:

ACCOUNTS IDENTIFIED FOR ADVANCE APPROPRIATIONS IN THE SENATE

Labor, HHS:

- Employment and Training Administration
- Job Corps
- Education for the Disadvantaged
- School Improvement
- Special Education
- Career, Technical, and Adult Education

Financial Services and General Government: Payment to Postal Service

Transportation, Housing and Urban Development: Tenant-based Rental Assistance
Project-based Rental Assistance

Sec. 303. Emergency Legislation.

The Committee-reported resolution makes technical changes in the emergency legislation designation to provide consistent treatment for emergency legislation with respect to enforcement of various points of order. The resolution also includes a requirement added by an amendment in Committee that 16 Senators sign a written affirmation of the emergency designation, and submit that affirmation to the Senate clerk at the time the legislation containing a designation is filed.

Sec. 304. Adjustments for the Extension of Certain Current Policies.

The Committee-reported resolution allows the Chairman of the Committee on the Budget to exclude the budgetary effects of provisions that extend certain current policies from certain points of order. The policies – permanently extending the 2001 and 2003 middle class tax cuts, reforming or superseding the Sustainable Growth Rate for Medicare physician payments for five years, a two-year extension of the Estate and Gift Tax, and two years of relief from the Alternative Minimum Tax – are the same as those for which adjustments can be made under the Statutory Pay-As-You-Go Act of 2010 (Public Law 111-139). This section ensures that legislation that is exempt from statutory PAYGO is also exempt from the Senate PAYGO rule and other related budget enforcement rules. The adjustments are not authorized for reconciliation bills or reconciliation resolutions considered under Section 310 of the Congressional Budget Act.

Sec. 305. Extension of Enforcement of Budgetary Points of Order in the Senate.

The Committee-reported resolution extends until September 30, 2020, supermajority enforcement of the points of order listed in subsections (c)(2) and (d)(3) of the Congressional Budget Act of 1974.

Sec. 306. Point of Order Establishing a 20% Limit on New Direct Spending in Reconciliation Legislation.

This section, added by amendment, establishes a point of order against reconciliation legislation that contains provisions within the jurisdiction of any committee that create gross new direct spending exceeding 20 percent of the total savings instruction to that committee. The point of order would also lie against an amendment the adoption of which would result in a committee exceeding this 20 percent threshold. The point of order is waivable by an affirmative vote of three-fifths of all Senators duly chosen and sworn.

SUBTITLE B – OTHER PROVISIONS

Sec. 311. Oversight of Government Performance.
The Committee-reported resolution requests that all Committees of the Senate include in their annual views and estimates reports required under section 301(d) of the Congressional Budget Act of 1974 recommendations to reduce waste, fraud, abuse, or duplication in programs and tax expenditures within their jurisdiction. Committees should address matters for congressional consideration identified in the Government Accountability Office's High Risk list reports.

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

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

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

Sec. 315, 316, and 317. Debt and Other Disclosures.
These sections reflect amendments adopted in committee requiring this and future resolutions to include certain disclosures related to historical debt levels and debt levels assumed in the resolution. It also requires the disclosure of levels assumed in this resolution related to spending, the deficit, and taxes.

Sec. 318. 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 IV. Reconciliation

Sec. 401. Reconciliation.
The Committee-reported resolution contains two reconciliation instructions, both to the Senate Finance Committee. The first instruction directs the Finance Committee to report changes in laws, bills, or resolutions within its jurisdiction that would result in a reduction of the deficit of $2 billion over the period of fiscal years 2010 to 2015. The instruction could be used for jobs legislation. The reporting date for the instruction is September 23, 2010. The second instruction directs the Finance Committee to report an increase in the statutory debt limit of no more than $50 billion no later than December 10, 2010. Bills or resolutions reported pursuant to these instructions are eligible for consideration in the Senate under section 310 of the Congressional Budget Act of 1974.

6. ECONOMICS

Overview of the Economy in 2009

Overall U.S economic performance in 2009 turned out to be stronger than most forecasters had anticipated at the start of the year. As of late 2008 and early 2009, the U.S. economy was contracting at an alarming rate and world trade was collapsing. The global crisis elicited an extraordinarily coordinated monetary and fiscal policy response around the world which helped temper the severity of economic contractions and, particularly evident in the United States, helped speed the move toward recovery. Real (inflation-adjusted) gross domestic product (GDP) declined at a 3.6 percent rate in the first half of the year and returned to growth with a 3.9 percent advance in the second half of the year. At the start of the year, leading forecasters (including CBO) had predicted the U.S. economy would decline by 1 to 1½ percent between the end of 2008 and 2009. In fact, GDP was essentially unchanged over the course of the year.

While U.S. production of goods and services in 2009 exceeded early-year expectations, labor markets did not. The unemployment rate rose through the year to average 10.0 percent of the civilian labor force in the final three months of the year. Payroll employment showed some improvement as the year progressed, but only in the sense that the magnitude of job losses had diminished from the extraordinarily large losses early in the 2009. The average number of hours worked per week in private-sector establishments remains extraordinarily low.

With employment and hours lagging the stabilization and subsequent return to growth in production, productivity has been surging since the first quarter of last year. Output per hour worked in nonfarm business grew at a remarkable 5.8 percent pace over the course of last year but unit labor costs (which equals wages, salaries, and benefits paid per unit of output produced) declined by 4.7 percent (the largest four-quarter decline on record). Some strengthening in wage and salary incomes will be necessary to sustain the overall recovery.

Fiscal policy worked to boost both demand and incomes in 2009. CBO estimates that the Economic Recovery Act likely contributed between 1.5 and 3.4 percentage points to GDP growth over the course of last year. In other words, the economy would likely have declined by 1.4 to 3.3 percent last year (instead of edging up by 0.1 percent) had the Economic Recovery Act not been enacted. Furthermore, CBO estimates that the unemployment rate would have been even higher than 10.0 percent in the fourth quarter (10.5 to 11.1 percent) without the Economic Recovery Act – that translates into 1.0 to 2.1 million jobs created or saved by the package.

CBO's Economic Assumptions

The Committee-reported resolution is built upon CBO's January 2010 baseline assumptions about the future path of the U.S. economy, the same assumptions CBO used in its March update of the budget baseline. Those economic assumptions are consistent with CBO's current-law baseline and reflect economic information available through the early part of December 2009. Economic data released since CBO published its January assumptions indicate that real GDP grew more strongly in the fourth quarter (5.6 percent at an annual rate) than CBO had anticipated, but also that wages and salaries grew more slowly than CBO had assumed. Additionally, both private-sector employment and the average work week returned to growth in the first quarter, and the unemployment rate declined somewhat. In most other respects, recently released indicators remain broadly in line with CBO's assumptions. On balance, CBO's January economic assumptions continue to provide a reasonable basis for budget projections.

Near-Term Economic Forecasts

CBO expects that the U.S. economy will continue to grow this year and next. Real GDP is expected to increase by 2.1 percent over the course of 2010, and by 2.4 percent in 2011 (see table). Using data available through the closing months of last year, CBO forecasts that the unemployment rate will average 10.1 percent this year and 9.5 percent next year. Since the start of the year, however, the unemployment rate has averaged 9.7 percent. That means the unemployment rate would have to rise significantly above 10 percent in coming months for the 2010 average unemployment rate to reach the level that CBO has forecast.

In any case, unemployment is nearly certain to remain well above its stable long-term trend level (which CBO assumes to be 5.0 percent). As a result, inflation is likely to remain subdued. CBO expects inflation in the consumer price index (CPI-U) to average 1.6 percent over the course of 2010, and 1.1 percent over the course of 2011. With inflation forecast to remain low through the near term, CBO expects interest rates to remain low as well: yields on 3-month Treasury bills are expected to average 0.2 percent this year and 0.7 percent next year while yields on 10-year Treasury notes are likely to average 3.6 percent in 2010, edging up to only 3.9 percent in 2011.

CBO forecasts an economic recovery through 2011 that is well off the pace observed in previous U.S. recoveries from deep and protracted downturns. That reflects the tendency for advanced economies to recover more slowly from downturns accompanied by financial crises and plunging asset prices than from those triggered by other factors. Current economic conditions indicate a number of particular concerns that are expected to slow the recovery over the near-term:

- The stimulative fiscal and monetary policies that worked to temper the downturn and its duration are already likely to be diminishing in terms of their impacts on economic growth.
- Consumer spending is likely to grow more slowly than in previous recoveries as a result of relatively weak income growth, ongoing balance sheet concerns, and strained access to credit markets.
- Growth of residential and commercial construction is hampered by high vacancy rates and strained financing for both homes and nonresidential building along with still sizeable builder stocks of unsold new homes. Additionally, high unemployment continues to boost delinquency and foreclosure rates on residential mortgages.
- State and local governments are likely to face strains on their operating and capital budgets for some years to come and, as a result, state and local purchases of goods and services may not contribute to the current economic recovery to the same extent that was true in previous recoveries.

It is difficult to compare CBO's current economic forecast with other forecasts. CBO's near-term economic forecast appears weaker than the Administration's economic assumptions and, to a lesser extent, the average forecast of those private-sector forecasters who responded to the Blue Chip survey in April (see table). However, the Administration's economic assumptions would include the effects of additional countercyclical relief proposed by the President that are, by design, excluded from CBO's baseline. This same difficulty arises in comparing CBO's forecast with the Blue Chip average, as the private-sector forecasters represented in the Blue Chip survey have presumably included the effects of additional fiscal relief to varying degrees in their forecasts (as well as data released since CBO first published its baseline assumptions).

Adjusting the various forecasts to a common policy base is not possible, though that would certainly work to reduce their apparent differences. Indeed, even including additional fiscal relief to the extent they do, the near-term growth rates predicted by the Administration and Blue Chip forecasts are also very low relative to previous U.S. recoveries from severe downturns, presumably for the same reasons listed above for CBO.

Medium-Term Economic Projections

In its medium-term projection, CBO projects the economy will grow at a 4.0 percent average annual rate between 2012 and 2015, a pace CBO deems sufficient to effectively close the gap between actual and potential output by 2014. (Potential output is the level of GDP that is judged to be sustainable with stable inflation over the long term.) CBO expects it would take the unemployment rate about a year longer than output growth to return to its trend level (which CBO projects to be 5 percent) by the end of 2015. Accordingly, inflation (as measured by the change in the GDP price index) will remain at a subdued level of 1.3 percent a year on average between 2012 and 2015. Inflation is projected to stabilize at 1.8 percent after 2015 once the economy is growing at its potential pace of 2.3 percent a year.

The Administration's projection differs from CBO's in several respects. While the Administration projects that the economy will grow at the same pace as CBO over the transition years 2012-20, it projects the unemployment rate will take even longer to return to trend. Like CBO, the Administration projects that inflation (as measured by the GDP price index) will ultimately stabilize at a 1.8 percent annual pace, but, unlike CBO, the Administration projects that inflation will be near that pace during the transition period from 2012-2015 as well. The Administration projects that the unemployment rate consistent with stable inflation over the long run is 5.2 percent, only slightly higher than CBO's estimate. However, the Administration also estimates potential output growth to be 2.7 percent a year, considerably higher than CBO.

The Administration's and CBO's projections of potential output growth and long-term unemployment are within the (admittedly wide) range offered by economic analyses of long-term growth conducted using different technical methods. The Blue Chip survey projection exemplifies the uncertainty – the survey projects a longer-term growth rate for output that is near the Administration's projection (2.6 percent a year between 2016 and 2020), but a substantially higher average unemployment rate over the long run (6.0 percent) than the Administration and CBO are projecting.

Comparison of Economic Assumptions

	Forecast		Projected Annual Average	
	2010	2011	2012-2015	2016-2020
	Q4-to-Q4 change, percent		*Percent change*	
Nominal GDP				
President's Budget	4.0	5.7	5.8	4.6
CBO	3.1	3.3	5.4	4.1
Blue Chip Survey	4.3	4.9	5.2	4.9
Real GDP				
President's Budget	3.0	4.3	4.0	2.7
CBO	2.1	2.4	4.0	2.3
Blue Chip Survey	2.9	3.2	3.0	2.6
GDP Price Index				
President's Budget	1.0	1.4	1.7	1.8
CBO	1.0	0.9	1.3	1.8
Blue Chip Survey	1.3	1.6	2.0	2.2
Consumer Price Index (CPI-U)				
President's Budget	1.3	1.7	2.0	2.1
CBO	1.6	1.1	1.3	2.0
Blue Chip Survey	1.7	2.0	2.4	2.4
	Annual average, percent			
Unemployment Rate				
President's Budget	10.0	9.2	7.0	5.3
CBO	10.1	9.5	6.1	5.0
Blue Chip Survey	9.6	9.0	7.0	6.0
3-Month Treasury Bill Rate				
President's Budget	0.4	1.6	3.8	4.1
CBO	0.2	0.7	3.3	4.7
Blue Chip Survey	0.3	1.7	4.0	4.2
10-Year Treasury Note Rate				
President's Budget	3.9	4.5	5.2	5.3
CBO	3.6	3.9	4.7	5.6
Blue Chip Survey	4.0	4.6	5.4	5.5

Sources: Staff calculations using data from OMB, *Budget of the U.S. Government: Fiscal Year 2011*, February 2010; Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2010 to 2020*, January 2010; and Aspen Publishers, *Blue Chip Economic Indicators*, April 2010.

7. COMMITTEE VOTES

On April 21, 2010, Chairman Conrad presented the Chairman's Mark for the fiscal year 2011 budget resolution to the Committee. Votes taken during Committee consideration of the concurrent resolution on the budget were as follows:

April 22, 2010

(1) By a vote of 14 yeas to 9 nays, the Committee adopted the Graham amendment concerning the Troubled Asset Relief Program.

Yeas: Wyden, Feingold, Nelson (FL), Begich, Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Graham, Alexander.

Nays: Conrad, Murray, Byrd, Stabenow, Cardin, Sanders, Whitehouse, Warner, Merkley.

(2) By a vote of 15 yeas to 8 nays, the Committee adopted the Feingold amendment to require any discretionary cap adjustment for overseas contingency operations and other activities to be deficit neutral over the period of the budget year and following nine fiscal years.

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

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

(3) By a vote of 10 yeas to 13 nays, the Committee rejected the Sessions amendment as modified establishing discretionary spending caps.

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

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

(4) By a vote of 8 yeas to 14 nays, the Committee rejected the Begich amendment as modified to add to the Chairman's Mark a deficit-reduction reserve fund concerning the Troubled Asset Relief Program and credit for small businesses.

Yeas: Conrad, Murray, Byrd, Stabenow, Cardin, Warner, Merkley, Begich.

Nays: Wyden, Feingold, Nelson (FL), Sanders, Whitehouse, Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Alexander.

(5) By voice vote, the Committee agreed to the Bunning amendment as modified to strengthen emergency designation requirements.

(6) By voice vote, the Committee agreed to the Warner-Begich-Bunning amendment to add to the Chairman's Mark a deficit-reduction reserve fund for terminated programs.

Senators Stabenow, Sanders, Whitehouse, and Merkley requested that the record reflect they voted no on this amendment.

(7) By a vote of 10 yeas to 13 nays, the Committee rejected the Cornyn amendment related to unobligated budget authority provided in the American Recovery and Reinvestment Act.

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

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

(8) By voice vote, the Committee agreed to the Whitehouse amendment to amend the deficit-neutral reserve fund in the Chairman's Mark for flood control projects and insurance reform to address dam modernization and provide for additional resources to prevent or mitigate flooding or the damage caused by flooding.

(9) By voice vote, the Committee agreed to the Enzi amendment to add to the Chairman's Mark a deficit-neutral reserve fund to provide for small business tax relief.

(10) By voice vote, the Committee agreed to the Warner amendment to add to the Chairman's Mark a deficit-neutral reserve fund to provide greater accountability of funding provided under the American Recovery and Reinvestment Act.

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

(12) By voice vote, the Committee agreed to the Whitehouse amendment as modified to add to the Chairman's Mark provisions requiring disclosure of historical debt levels and other levels in this resolution.

Senators Gregg, Enzi, and Bunning requested that the record reflect they voted no on this amendment.

(13) By a vote of 10 yeas to 13 nays, the Committee rejected an Ensign amendment to give reconciliation instructions to the Judiciary Committee.

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

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

(14) By voice vote, the Committee agreed to the Merkley-Wyden-Whitehouse amendment to add to the Chairman's Mark a deficit-neutral reserve fund for improving forest and watershed health and resiliency.

(15) By a vote of 10 yeas to 13 nays, the Committee rejected the Crapo amendment regarding the debt obligations of the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation.

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

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

(16) By voice vote, the Committee agreed to the Warner-Whitehouse-Begich-Gregg amendment to add to the Chairman's Mark a deficit-neutral reserve fund for legislation to promote greater accountability for health care reform.

(17) By voice vote, the Committee agreed to the Grassley amendment to add to the Chairman's Mark a deficit-neutral reserve fund for legislation related to tax provisions in the Patient Protection and Affordable Care Act or Reconciliation Act of 2010.

(18) By voice vote, the Committee agreed to the Sanders amendment to add to the Chairman's Mark a deficit-reduction reserve fund to promote corporate tax fairness.

(19) By voice vote, the Committee agreed to the Grassley amendment to add to the Chairman's Mark a deficit-neutral reserve fund for legislation related to the taxation of certain medical expenses.

(20) By voice vote, the Committee agreed to the Enzi-Whitehouse amendment to add to the Chairman's Mark a deficit-neutral reserve fund to improve taxpayer access to the Internal Revenue Service's appeals process.

(21) By a vote of 20 yeas to 2 nays, the Committee agreed to the Whitehouse amendment as modified related to campaign finance reform.

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

Nays: Sessions, Bunning.

(22) By voice vote, the Committee agreed to the Enzi amendment as modified to add to the Chairman's Mark a deficit-neutral reserve fund concerning mineral revenue payments to states.

(23) By voice vote, the Committee agreed to the Begich-Merkley amendment to adjust levels in the resolution to reflect a freeze of the salaries of Members of Congress to reduce the deficit and debt.

(24) By a vote of 9 yeas to 13 nays, the Committee rejected the Gregg amendment concerning a budget scoring rule related to Medicare.

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

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

(25) By voice vote, the Committee agreed to the Enzi amendment to provide additional resources to the Voluntary Protection Program at the Occupational Safety and Health Administration.

(26) By a vote of 10 yeas to 12 nays, the Committee rejected the Sanders-Feingold amendment as modified to add to the Chairman's Mark a deficit-neutral reserve fund concerning the failure of financial institutions that would pose a systemic risk to the economy.

Yeas: Murray, Wyden, Feingold, Byrd, Stabenow, Cardin, Sanders, Whitehouse, Merkley, Bunning.

Nays: Conrad, Nelson (FL), Warner, Begich, Gregg, Grassley, Enzi, Sessions, Crapo, Ensign, Cornyn, Alexander.

(27) By voice vote, the Committee agreed to the Cornyn amendment as modified to add to the Chairman's Mark a deficit-neutral reserve fund concerning foreign-held debt.

(28) By a vote of 16 yeas to 6 nays, the Committee adopted the Gregg amendment establishing a point of order against certain reconciliation legislation.

Yeas: Conrad, Murray, Wyden, Feingold, Byrd, Nelson (FL), Warner, Gregg, Grassley, Enzi, Sessions, Bunning, Crapo, Ensign, Cornyn, Alexander.

Nays: Stabenow, Cardin, Sanders, Whitehouse, Merkley, Begich.

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

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

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

8. SUMMARY TABLES

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
Summary							
Budget Authority	**3,570.203**	**3,708.979**	**3,552.355**	**3,723.237**	**3,961.390**	**4,170.350**	**19,116.311**
On	3,010.959	3,126.966	2,943.394	3,082.922	3,290.175	3,466.385	15,909.842
Off	559.244	582.013	608.961	640.315	671.215	703.965	3,206.469
Outlays	**3,567.070**	**3,770.410**	**3,637.002**	**3,724.338**	**3,933.084**	**4,127.078**	**19,191.912**
On	3,010.156	3,191.258	3,031.177	3,087.252	3,265.543	3,427.244	16,002.474
Off	556.914	579.152	605.825	637.086	667.541	699.834	3,189.438
Revenues	**2,152.404**	**2,510.615**	**2,734.750**	**3,130.858**	**3,384.903**	**3,583.212**	**15,344.337**
On	1,510.918	1,838.044	2,024.391	2,376.016	2,586.079	2,744.932	11,569.461
Off	641.486	672.571	710.359	754.842	798.824	838.280	3,774.876
Deficit (-)/Surplus	**-1,414.666**	**-1,259.795**	**-902.252**	**-593.480**	**-548.181**	**-543.866**	**-3,847.575**
On	-1,499.238	-1,353.214	-1,006.786	-711.236	-679.464	-682.312	-4,433.013
Off	84.572	93.419	104.534	117.756	131.283	138.446	585.438
Debt Held by the Public	9,066.812	10,172.552	11,122.149	11,751.602	12,331.071	12,900.053	--
Public Debt	13,532.565	14,751.676	15,874.006	16,689.903	17,457.336	18,244.046	--
By Function							
050 National Defense							
Budget Authority	723.239	738.866	647.206	662.503	678.995	697.856	3,425.426
Outlays	702.700	739.429	699.652	674.828	672.525	684.639	3,471.073
150 International Affairs							
Budget Authority	68.728	57.499	60.566	60.823	61.546	62.584	303.018
Outlays	47.180	51.345	56.737	59.532	62.624	64.778	295.016
250 General Science, Space, and Technology							
Budget Authority	31.081	31.793	32.080	32.746	33.547	33.934	164.100
Outlays	31.673	32.281	32.072	32.096	32.496	32.792	161.737
270 Energy							
Budget Authority	7.860	10.801	9.281	6.697	5.710	5.118	37.607
Outlays	10.090	14.715	16.907	12.988	10.506	6.991	62.107
300 Natural Resources and Environment							
Budget Authority	38.666	39.606	39.829	38.086	37.947	38.077	193.545
Outlays	43.068	42.434	41.412	40.169	39.467	38.875	202.357
350 Agriculture							
Budget Authority	26.679	24.814	22.103	22.904	22.977	22.326	115.124
Outlays	24.733	25.251	18.622	22.898	22.195	21.604	110.570
370 Commerce and Housing Credit							
Budget Authority	-38.280	21.082	15.403	13.678	12.432	12.828	75.423
Outlays	-52.506	36.764	16.680	-2.533	-5.068	-4.991	40.852
On Budget Authority	-44.238	17.604	15.436	13.709	12.308	12.697	71.754
Outlays	-58.464	33.286	16.712	-2.502	-5.192	-5.122	37.182
Off Budget Authority	5.958	3.478	-0.033	-0.031	0.124	0.131	3.669
Outlays	5.958	3.478	-0.032	-0.031	0.124	0.131	3.670
400 Transportation							
Budget Authority	102.701	92.212	93.296	93.591	94.116	95.531	468.746
Outlays	96.423	97.123	95.510	94.697	94.928	96.257	478.515
450 Community and Regional Development							
Budget Authority	23.655	18.229	18.132	17.913	18.341	18.779	91.394
Outlays	25.733	28.188	26.505	23.875	21.562	20.272	120.402
500 Education, Training, Employment, and Social Services							
Budget Authority	74.858	108.714	89.062	90.332	96.604	103.241	487.953
Outlays	125.382	126.617	107.532	91.785	94.934	99.977	520.845
550 Health							
Budget Authority	376.818	363.156	358.813	370.831	433.616	489.176	2,015.592
Outlays	374.857	366.382	357.921	362.911	423.637	478.715	1,989.566

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
570 Medicare							
Budget Authority	469.687	517.747	508.104	552.954	593.495	597.271	2,769.571
Outlays	469.798	517.521	507.877	553.106	593.312	597.025	2,768.841
600 Income Security							
Budget Authority	618.514	555.845	486.754	481.503	490.478	505.301	2,519.881
Outlays	622.845	558.611	489.375	482.546	489.688	503.905	2,524.125
650 Social Security							
Budget Authority	710.420	737.418	771.055	808.685	848.144	891.499	4,056.801
Outlays	708.371	734.727	768.078	805.616	844.590	887.368	4,040.379
On Budget Authority	22.052	24.524	27.082	30.084	33.288	36.381	151.359
Outlays	22.333	24.694	27.242	30.244	33.408	36.381	151.969
Off Budget Authority	688.368	712.894	743.973	778.601	814.856	855.118	3,905.442
Outlays	686.038	710.033	740.836	775.372	811.182	850.987	3,888.410
700 Veterans Benefits and Services							
Budget Authority	114.398	127.411	121.121	129.737	133.539	137.137	648.945
Outlays	113.393	126.655	120.718	129.230	132.943	136.489	646.035
750 Administration of Justice							
Budget Authority	53.894	55.581	54.641	54.677	56.370	58.299	279.568
Outlays	55.914	57.912	56.697	54.902	54.538	57.292	281.341
800 General Government							
Budget Authority	25.680	27.090	27.279	27.098	27.700	28.021	137.188
Outlays	25.811	27.894	29.038	28.636	28.970	28.781	143.319
900 Net Interest							
Budget Authority	208.887	240.830	291.964	354.754	422.549	491.005	1,801.102
Outlays	208.887	240.830	291.964	354.754	422.549	491.005	1,801.102
On Budget Authority	328.887	359.630	410.764	476.154	548.649	623.705	2,418.902
Outlays	328.887	359.630	410.764	476.154	548.649	623.705	2,418.902
Off Budget Authority	-120.000	-118.800	-118.800	-121.400	-126.100	-132.700	-617.800
Outlays	-120.000	-118.800	-118.800	-121.400	-126.100	-132.700	-617.800
920 Allowances							
Budget Authority	12.416	26.818	-3.647	-2.507	-11.637	-19.063	-10.036
Outlays	12.416	32.264	-5.608	-3.930	-8.233	-16.126	-1.633
950 Undistributed Offsetting Receipts							
Budget Authority	-79.698	-86.533	-90.687	-93.768	-95.079	-98.570	-464.637
Outlays	-79.698	-86.533	-90.687	-93.768	-95.079	-98.570	-464.637
On Budget Authority	-64.616	-70.974	-74.508	-76.913	-77.414	-79.986	-379.795
Outlays	-64.616	-70.974	-74.508	-76.913	-77.414	-79.986	-379.795
Off Budget Authority	-15.082	-15.559	-16.179	-16.855	-17.665	-18.584	-84.842
Outlays	-15.082	-15.559	-16.179	-16.855	-17.665	-18.584	-84.842

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
Summary							
Total Mandatory							
Budget Authority	2,294.039	2,425.345	2,349.137	2,499.071	2,715.862	2,897.789	12,887.204
Outlays	2,189.747	2,357.180	2,289.658	2,413.061	2,629.132	2,811.018	12,500.049
On-Budget							
Budget Authority	1,740.864	1,849.856	1,746.966	1,865.840	2,052.108	2,201.516	9,716.286
Outlays	1,638.745	1,784.458	1,690.553	1,782.998	1,968.979	2,118.819	9,345.807
Off-Budget							
Budget Authority	553.175	575.489	602.171	633.231	663.754	696.273	3,170.918
Outlays	551.002	572.722	599.105	630.063	660.153	692.199	3,154.242
By Function							
050 National Defense							
Budget Authority	5.509	5.737	5.596	5.345	5.223	5.199	27.100
Outlays	5.484	5.683	5.524	5.250	5.205	5.223	26.885
150 International Affairs							
Budget Authority	9.510	2.681	-0.944	-3.751	-4.965	-4.592	-11.571
Outlays	-1.644	-2.886	-2.594	-2.035	-1.297	-0.452	-9.264
250 General Science, Space, and Technology							
Budget Authority	0.111	0.115	0.119	0.125	0.125	0.125	0.609
Outlays	0.168	0.122	0.122	0.128	0.125	0.125	0.622
270 Energy							
Budget Authority	2.522	3.896	2.953	0.559	-0.545	-1.260	5.603
Outlays	1.521	2.345	2.121	0.148	-0.363	-1.307	2.944
300 Natural Resources and Environment							
Budget Authority	2.168	2.808	3.080	2.682	2.576	2.445	13.591
Outlays	1.601	2.646	3.096	3.061	2.719	2.557	14.079
350 Agriculture							
Budget Authority	18.659	18.209	15.715	16.714	16.646	15.850	83.134
Outlays	17.713	17.839	11.972	16.611	15.926	15.206	77.554
370 Commerce and Housing Credit							
Budget Authority	-46.773	18.751	12.913	10.877	9.255	9.123	60.919
Outlays	-64.020	32.380	12.686	-6.550	-8.538	-8.667	21.311
On Budget Authority	-52.473	15.531	13.193	11.147	9.375	9.243	58.489
Outlays	-69.720	29.160	12.966	-6.280	-8.418	-8.547	18.881
Off Budget Authority	5.700	3.220	-0.280	-0.270	-0.120	-0.120	2.430
Outlays	5.700	3.220	-0.280	-0.270	-0.120	-0.120	2.430
400 Transportation							
Budget Authority	66.774	58.411	58.525	58.646	58.886	59.012	293.480
Outlays	2.446	2.321	2.363	2.452	2.662	2.787	12.585
450 Community and Regional Development							
Budget Authority	0.678	0.434	0.454	0.275	0.275	0.274	1.712
Outlays	1.283	2.414	2.234	0.939	0.137	0.109	5.833
500 Education, Training, Employment, and Social Services							
Budget Authority	-14.411	9.361	-5.375	-4.406	-0.651	3.488	2.417
Outlays	-13.236	2.516	5.898	-3.652	-0.790	2.629	6.601
550 Health							
Budget Authority	318.534	303.394	300.237	313.855	375.011	429.000	1,721.497
Outlays	308.090	298.399	294.646	302.779	365.010	419.570	1,680.404
570 Medicare							
Budget Authority	463.762	511.268	501.625	546.417	586.703	590.209	2,736.222
Outlays	463.960	511.124	501.421	546.576	586.550	590.003	2,735.674

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Mandatory Spending

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
600 Income Security							
Budget Authority	552.293	486.846	417.545	412.087	420.080	433.050	2,169.608
Outlays	553.918	485.405	414.869	409.680	417.788	431.008	2,158.750
650 Social Security							
Budget Authority	704.609	731.150	764.510	801.838	840.925	884.056	4,022.479
Outlays	702.436	728.383	761.444	798.670	837.324	879.982	4,005.803
On Budget Authority	22.052	24.522	27.080	30.082	33.286	36.379	151.349
Outlays	22.052	24.522	27.080	30.082	33.286	36.379	151.349
Off Budget Authority	682.557	706.628	737.430	771.756	807.639	847.677	3,871.130
Outlays	680.384	703.861	734.364	768.588	804.038	843.603	3,854.454
700 Veterans Benefits and Services							
Budget Authority	61.149	70.242	61.218	68.046	69.980	71.649	341.135
Outlays	61.088	70.129	61.120	67.968	69.922	71.605	340.744
750 Administration of Justice							
Budget Authority	2.177	6.411	1.684	1.590	1.554	1.698	12.937
Outlays	2.249	2.760	3.306	2.928	2.033	2.124	13.151
800 General Government							
Budget Authority	5.163	7.275	7.631	7.297	7.514	7.428	37.145
Outlays	5.085	7.244	7.779	7.233	7.449	7.481	37.186
900 Net Interest							
Budget Authority	208.887	240.830	291.964	354.754	422.549	491.005	1,801.102
Outlays	208.887	240.830	291.964	354.754	422.549	491.005	1,801.102
On Budget Authority	328.887	359.630	410.764	476.154	548.649	623.705	2,418.902
Outlays	328.887	359.630	410.764	476.154	548.649	623.705	2,418.902
Off Budget Authority	-120.000	-118.800	-118.800	-121.400	-126.100	-132.700	-617.800
Outlays	-120.000	-118.800	-118.800	-121.400	-126.100	-132.700	-617.800
920 Allowances							
Budget Authority	12.416	34.052	0.374	-0.111	-0.200	-1.400	32.715
Outlays	12.416	34.052	0.374	-0.111	-0.200	-1.400	32.715
950 Undistributed Offsetting Receipts							
Budget Authority	-79.698	-86.526	-90.687	-93.768	-95.079	-98.570	-464.630
Outlays	-79.698	-86.526	-90.687	-93.768	-95.079	-98.570	-464.630
On Budget Authority	-64.616	-70.967	-74.508	-76.913	-77.414	-79.986	-379.788
Outlays	-64.616	-70.967	-74.508	-76.913	-77.414	-79.986	-379.788
Off Budget Authority	-15.082	-15.559	-16.179	-16.855	-17.665	-18.584	-84.842
Outlays	-15.082	-15.559	-16.179	-16.855	-17.665	-18.584	-84.842

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
Summary							
Total Discretionary							
Budget Authority	1,276.164	1,283.634	1,203.218	1,224.166	1,245.528	1,272.561	6,229.107
Outlays	1,377.323	1,413.230	1,347.344	1,311.277	1,303.952	1,316.060	6,691.863
Defense							
Budget Authority	717.730	733.129	641.610	657.158	673.772	692.657	3,398.326
Outlays	697.216	733.746	694.128	669.578	667.320	679.416	3,444.188
Nondefense							
Budget Authority	558.434	550.505	561.608	567.008	571.756	579.904	2,830.781
Outlays	680.107	679 484	653.216	641.699	636.632	636.644	3,247.675
By Function							
050 National Defense							
Budget Authority	717.730	733.129	641.610	657.158	673.772	692.657	3,398.326
Outlays	697.216	733.746	694.128	669.578	667.320	679.416	3,444.188
150 International Affairs							
Budget Authority	59.218	54.818	61.510	64.574	66.511	67.176	314.589
Outlays	48.824	54.231	59.331	61.567	63.921	65.230	304.280
250 General Science, Space, and Technology							
Budget Authority	30.970	31.678	31.961	32.621	33.422	33.809	163.491
Outlays	31.505	32.159	31.950	31.968	32.371	32.667	161.115
270 Energy							
Budget Authority	5.338	6.905	6.328	6.138	6.255	6.378	32.004
Outlays	8.569	12.370	14.786	12.840	10.869	8.298	59.163
300 Natural Resources and Environment							
Budget Authority	36.498	36.798	36.749	35.404	35.371	35.632	179.954
Outlays	41.467	39.788	38.316	37.108	36.748	36.318	188.278
350 Agriculture							
Budget Authority	8.020	6.605	6.388	6.190	6.331	6.476	31.990
Outlays	7.020	7.412	6.650	6.287	6.269	6.398	33.016
370 Commerce and Housing Credit							
Budget Authority	8.493	2.331	2.490	2.801	3.177	3.705	14.504
Outlays	11.514	4.384	3.994	4.017	3.470	3.676	19,541
On Budget Authority	8.235	2.073	2.243	2.562	2.933	3.454	13.265
Outlays	11.256	4.126	3.746	3.778	3.226	3.425	18.301
Off Budget Authority	0.258	0.258	0.247	0.239	0.244	0.251	1.239
Outlays	0.258	0.258	0.248	0.239	0.244	0.251	1.240
400 Transportation							
Budget Authority	35.927	33.801	34.771	34.945	35.230	36.519	175.266
Outlays	93.977	94.802	93.147	92.245	92.266	93.470	465.930
450 Community and Regional Development							
Budget Authority	22.977	17.795	17.678	17.638	18.066	18.505	89.682
Outlays	24.450	25.774	24.271	22.936	21.425	20.163	114.569
500 Education, Training, Employment, and Social Services							
Budget Authority	89.269	99.353	94.437	94.738	97.255	99.753	485.536
Outlays	138.618	124.101	101.634	95.437	95.724	97.348	514.244
550 Health							
Budget Authority	58.284	59.762	58.576	56.976	58.605	60.176	294.095
Outlays	66.767	67.983	63.275	60.132	58.627	59.145	309.162
570 Medicare							
Budget Authority	5.925	6.479	6.479	6.537	6.792	7.062	33.349
Outlays	5.838	6.397	6.456	6.530	6.762	7.022	33.167
600 Income Security							
Budget Authority	66.221	68.999	69.209	69.416	70.398	72.251	350.273
Outlays	68.927	73.206	74.506	72.866	71.900	72.897	365.375

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
650 Social Security							
Budget Authority	5.811	6.268	6.545	6.847	7.219	7.443	34.322
Outlays	5.935	6.344	6.634	6.946	7.266	7.386	34.576
On Budget Authority	0.000	0.002	0.002	0.002	0.002	0.002	0.010
Outlays	0.281	0 172	0.162	0.162	0.122	0.002	0.620
Off Budget Authority	5.811	6 266	6.543	6.845	7.217	7.441	34:312
Outlays	5.654	6.172	6.472	6.784	7.144	7.384	33.956
700 Veterans Benefits and Services							
Budget Authority	53.249	57.169	59.903	61.691	63.559	65.488	307.810
Outlays	52.305	56.526	59.598	61.262	63.021	64.884	305.291
750 Administration of Justice							
Budget Authority	51.717	49.170	52.957	53.087	54.816	56.601	266.631
Outlays	53.665	55.152	53.391	51.974	52.505	55.168	268.190
800 General Government							
Budget Authority	20.517	19.815	19.648	19.801	20.186	20.593	100.043
Outlays	20.726	20.650	21.259	21.403	21.521	21.300	106.133
900 Net Interest							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
920 Allowances							
Budget Authority	0.000	-7.234	-4.021	-2.396	-11.437	-17.663	-42.751
Outlays	0.000	-1.738	-5.982	-3.819	-8.033	-14.726	-34.348
950 Undistributed Offsetting Receipts							
Budget Authority	0.000	-0.007	0.000	0 000	0.000	0.000	-0.007
Outlays	0.000	-0.007	0.000	0.000	0.000	0.000	-0.007
On Budget Authority	0.000	-0.007	0.000	0.000	0.000	0.000	-0.007
Outlays	0.000	-0.007	0.000	0.000	0.000	0.000	-0.007
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000

FISCAL YEAR 2011 BUDGET RESOLUTION
CBO March 2010 Baseline - Adjusted for Enacted Legislation
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
			Summary				
Budget Authority	**3,526.484**	**3,613.228**	**3,579.894**	**3,738.427**	**3,967.534**	**4,183.097**	**19,082.180**
On	2,967.240	3,031.561	2,971.429	3,098.764	3,297.191	3,480.055	15,879.000
Off	559.244	581.667	608.465	639.663	670.343	703.042	3,203.180
Outlays	**3,562.872**	**3,675.312**	**3,605.425**	**3,718.915**	**3,935.993**	**4,141.750**	**19,077.395**
On	3,005.958	3,096.457	3,000.048	3,082.445	3,269.280	3,442.815	15,891.045
Off	556.914	578.855	605.377	636.470	666.713	698.935	3,186.350
Revenues	**2,168.204**	**2,670.164**	**2,970.041**	**3,249.038**	**3,540.261**	**3,694.589**	**16,124.092**
On	1,526.718	1,997.593	2,259.682	2,494.196	2,741.437	2,856.309	12,349.216
Off	641.486	672.571	710.359	754.842	798.824	838.280	3,774.876
Deficit (-)/Surplus	**-1,394.668**	**-1,005.148**	**-635.384**	**-469.877**	**-395.732**	**-447.161**	**-2,953.303**
On	-1,479.240	-1,098.864	-740.366	-588.249	-527.843	-586.506	-3,541.829
Off	84.572	93.716	104.982	118.372	132.111	139.345	588.526
Debt Held by the Public	9,046.814	9,897.907	10,580.636	11,086.486	11,513.506	11,985.783	--
Public Debt	13,512.567	14,477.031	15,332.493	16,024.787	16,639.771	17,329.776	--
			By Function				
050 National Defense							
Budget Authority	689.621	698.816	708.310	719.057	731.271	746.176	3,603.630
Outlays	694.940	706.652	700.903	710.976	721.662	734.877	3,575.070
150 International Affairs							
Budget Authority	62.402	54.103	51.080	48.929	48.441	49.736	252.289
Outlays	46.712	47.621	49.849	51.133	52.062	53.241	253.906
250 General Science, Space, and Technology							
Budget Authority	31.081	31.394	31.737	32.124	32.544	32.584	160.383
Outlays	31.673	32.275	32.095	32.150	32.464	32.380	161.364
270 Energy							
Budget Authority	7.860	9.235	8.368	6.057	5.038	4.414	33.112
Outlays	10.090	14.871	16.786	12.644	10.046	6.342	60.689
300 Natural Resources and Environment							
Budget Authority	38.666	39.699	40.547	40.860	41.512	42.286	204.904
Outlays	43.068	42.741	42.695	42.165	42.061	42.330	211.992
350 Agriculture							
Budget Authority	25.529	25.178	22.788	23.905	23.974	23.343	119.188
Outlays	24.503	24.796	19.098	23.820	23.186	22.618	113.518
370 Commerce and Housing Credit							
Budget Authority	-16.280	27.860	22.351	20.491	19.059	19.197	108.958
Outlays	-30.506	40.961	23.555	4.192	1.519	1.394	71.621
On Budget Authority	-22.238	24.377	22.362	20.485	18.896	19.025	105.145
Outlays	-36.464	37.478	23.566	4.186	1.356	1.222	67.808
Off Budget Authority	5.958	3.483	-0.011	0.006	0.163	0.172	3.813
Outlays	5.958	3.483	-0.011	0.006	0.163	0.172	3.813
400 Transportation							
Budget Authority	102.606	94.189	94.885	95.711	96.743	97.798	479.326
Outlays	96.414	96.398	95.243	95.575	96.761	98.169	482.146
450 Community and Regional Development							
Budget Authority	16.555	16.472	16.670	16.697	16.923	17.203	83.965
Outlays	25.260	26.446	24.711	21.746	19.534	18.394	110.831

FISCAL YEAR 2011 BUDGET RESOLUTION
CBO March 2010 Baseline - Adjusted for Enacted Legislation
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
500 Education, Training, Employment, and Social Services							
Budget Authority	74.858	99.268	85.471	87.496	92.396	98.024	462.655
Outlays	125.382	123.620	103.488	88.397	91.302	95.927	502.734
550 Health							
Budget Authority	376.598	362.095	359.642	374.060	436.106	491.205	2,023.108
Outlays	374.802	365.821	357.482	364.134	425.880	480.673	1,993.990
570 Medicare							
Budget Authority	466.442	499.437	489.046	531.129	570.728	588.571	2,678.911
Outlays	466.553	499.247	488.800	531.243	570.524	588.310	2,678.124
600 Income Security							
Budget Authority	618.514	553.722	484.688	479.411	487.893	501.939	2,507.653
Outlays	622.845	556.361	485.376	478.570	486.274	500.355	2,506.936
650 Social Security							
Budget Authority	710.420	737.065	770.535	807.994	847.231	890.533	4,053.358
Outlays	708.371	734.423	767.607	804.961	843.721	886.426	4,037.138
On Budget Authority	22.052	24.522	27.080	30.082	33.286	36.379	151.349
Outlays	22.333	24.692	27.240	30.242	33.406	36.379	151.959
Off Budget Authority	688.368	712.543	743.455	777.912	813.945	854.154	3,902.009
Outlays	686.038	709.731	740.367	774.719	810.315	850.047	3,885.179
700 Veterans Benefits and Services							
Budget Authority	114.398	127.307	119.297	127.338	130.650	133.899	638.491
Outlays	113.393	126.751	119.091	126.934	130.194	133.397	636.367
750 Administration of Justice							
Budget Authority	53.879	58.946	55.103	56.086	57.260	58.805	286.200
Outlays	55.906	56.946	57.888	58.014	58.030	58.961	289.839
800 General Government							
Budget Authority	24.251	26.717	27.460	27.585	28.324	28.836	138.922
Outlays	24.382	27.657	28.842	28.764	29.332	29.408	144.003
900 Net Interest							
Budget Authority	208.782	238.251	282.603	337.265	396.520	457.118	1,711.757
Outlays	208.782	238.251	282.603	337.265	396.520	457.118	1,711.757
On Budget Authority	328.782	357.051	401.403	458.665	522.620	589.818	2,329.557
Outlays	328.782	357.051	401.403	458.665	522.620	589.818	2,329.557
Off Budget Authority	-120.000	-118.800	-118.800	-121.400	-126.100	-132.700	-617.800
Outlays	-120.000	-118.800	-118.800	-121.400	-126.100	-132.700	-617.800
920 Allowances							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
950 Undistributed Offsetting Receipts							
Budget Authority	-79.698	-86.526	-90.687	-93.768	-95.079	-98.570	-464.630
Outlays	-79.698	-86.526	-90.687	-93.768	-95.079	-98.570	-464.630
On Budget Authority	-64.616	-70.967	-74.508	-76.913	-77.414	-79.986	-379.788
Outlays	-64.616	-70.967	-74.508	-76.913	-77.414	-79.986	-379.788
Off Budget Authority	-15.082	-15.559	-16.179	-16.855	-17.665	-18.584	-84.842
Outlays	-15.082	-15.559	-16.179	-16.855	-17.665	-18.584	-84.842

FISCAL YEAR 2011 BUDGET RESOLUTION
Adjustments Made to CBO March 2010 Baseline for Enacted Legislation
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
			Summary				
Budget Authority	**45.064**	**27.131**	**-2.752**	**-8.646**	**26.675**	**63.502**	**105.910**
On	45.064	27.111	-2.772	-8.686	26.455	63.162	105.270
Off	0.000	0.020	0.020	0.040	0.220	0.340	0.640
Outlays	**17.956**	**6.909**	**-3.158**	**-27.170**	**4.633**	**41.093**	**22.307**
On	17.956	6.889	-3.178	-27.210	4.413	40.753	21.667
Off	0.000	0.020	0.020	0.040	0.220	0.340	0.640
Revenues	**-8.230**	**-2.737**	**3.150**	**28.022**	**71.504**	**65.962**	**165.901**
On	-8.170	-2.477	3.760	27.442	69.964	63.382	162.071
Off	-0.060	-0.260	-0.610	0.580	1.540	2.580	3.830
Deficit (-)/Surplus	**-26.186**	**-9.646**	**6.308**	**55.192**	66.871	**24.869**	**143.594**
On	-26.126	-9.366	6.938	54.652	65.551	22.629	140.404
Off	-0.060	-0.280	-0.630	0.540	1.320	2.240	3.190
Debt Held by the Public	26.186	35.832	29.524	-25.668	-92.539	-117.408	–
Public Debt	26.186	35.832	29.524	-25.668	-92.539	-117.408	–
			By Function				
050 National Defense							
Budget Authority	0.000	0.000	-0.080	-0.170	-0.270	-0.400	-0.920
Outlays	0.000	0.000	-0.080	-0.170	-0.270	-0.400	-0.920
150 International Affairs							
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
250 General Science, Space, and Technology							
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
270 Energy							
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
300 Natural Resources and Environment							
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
350 Agriculture							
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
370 Commerce and Housing Credit							
Budget Authority	0.084	0.020	0.020	0.030	0.180	0.180	0.430
Outlays	0.015	0.070	0.030	0.035	0.180	0.180	0.495
On Budget Authority	0.084	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.015	0.050	0.010	0.005	0.000	0.000	0.065
Off Budget Authority	0.000	0.020	0.020	0.030	0.180	0.180	0.430
Outlays	0.000	0.020	0.020	0.030	0.180	0.180	0.430
400 Transportation							
Budget Authority	20.805	12.159	12.159	12.159	12.159	12.159	60.795
Outlays	0.043	0.167	0.063	0.020	0.017	0.010	0.277
450 Community and Regional Development							
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 2011 BUDGET RESOLUTION
Adjustments Made to CBO March 2010 Baseline for Enacted Legislation
Total Spending, Revenues, Deficit/Surplus, and Debt

($s in billions)	2010	2011	2012	2013	2014	2015	2011-15
500 Education, Training, Employment, and Social Services							
Budget Authority	-0.440	6.970	-8.080	-2.200	-5.460	-4.380	-13.150
Outlays	-0.350	-0.370	4.090	-5.130	-2.010	-4.060	-7.480
550 Health							
Budget Authority	7.819	4.794	-1.194	-2.520	53.460	85.150	139.690
Outlays	1.452	3.854	-1.684	-5.980	40.110	74.570	110.870
570 Medicare							
Budget Authority	4.025	-0.270	-9.170	-17.580	-43.290	-49.480	-119.790
Outlays	4.025	-0.270	-9.170	-17.580	-43.290	-49.480	-119.790
600 Income Security							
Budget Authority	12.535	2.275	1.860	0.510	10.910	23.200	38.755
Outlays	12.535	2.275	1.860	0.510	10.910	23.200	38.755
650 Social Security							
Budget Authority	0.000	0.000	0.000	0.010	0.040	0.160	0.210
Outlays	0.000	0.000	0.000	0.010	0.040	0.160	0.210
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.010	0.040	0.160	0.210
Outlays	0.000	0.000	0.000	0.010	0.040	0.160	0.210
700 Veterans Benefits and Services							
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
750 Administration of Justice							
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
800 General Government							
Budget Authority	0.098	0.694	1.091	1.314	1.441	1.441	5.981
Outlays	0.098	0.694	1.091	1.314	1.441	1.441	5.981
900 Net Interest							
Budget Authority	0.138	0.489	0.642	-0.199	-2.495	-4.528	-6.091
Outlays	0.138	0.489	0.642	-0.199	-2.495	-4.528	-6.091
On Budget Authority	0.138	0.489	0.642	-0.199	-2.495	-4.528	-6.091
Outlays	0.138	0.489	0.642	-0.199	-2.495	-4.528	-6.091
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
920 Allowances							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
950 Undistributed Offsetting Receipts							
Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
On Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Off Budget Authority	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Outlays	0.000	0.000	0.000	0.000	0.000	0.000	0.000

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS

$ billions	2010	2011	2012	2013	2014	2015	2011-2015
Discretionary							
Defense							
BA	717.730	733.129	641.610	657.158	673.772	692.657	3,398.326
OT	697.216	733.746	694.128	669.578	667.320	679.416	3,444.188
Nondefense							
BA	558.434	550.505	561.608	567.008	571.756	579.904	2,830.781
OT	680.107	679.484	653.216	641.699	636.632	636.644	3,247.675
Subtotal							
BA	1,276.164	1,283.634	1,203.218	1,224.166	1,245.528	1,272.561	6,229.107
OT	1,377.323	1,413.230	1,347.344	1,311.277	1,303.952	1,316.060	6,691.863
Mandatory Outlays	1,980.860	2,116.350	1,997.694	2,058.307	2,206.583	2,320.013	10,698.947
Net Interest Outlays	208.887	240.830	291.964	354.754	422.549	491.005	1,801.102
Total Outlays	3,567.070	3,770.410	3,637.002	3,724.338	3,933.084	4,127.078	19,191.912
Revenues	2,152.404	2,510.615	2,734.750	3,130.858	3,384.903	3,583.212	15,344.337
Change in Revenues	-15.800	-159.549	-235.291	-118.180	-155.358	-111.377	-779.755
Unified Deficit/Surplus	-1,414.666	-1,259.795	-902.252	-593.480	-548.181	-543.866	-3,847.575
% of GDP	-9.7%	-8.4%	-5.7%	-3.6%	-3.1%	-3.0%	
Debt Held by the Public	9,066.812	10,172.552	11,122.149	11,751.602	12,331.071	12,900.053	--
% of GDP	62.1%	67.9%	70.7%	70.5%	70.0%	70.0%	
Public Debt	13,532.565	14,751.676	15,874.006	16,689.903	17,457.336	18,244.046	--
% of GDP	92.7%	98.4%	100.9%	100.1%	99.2%	99.0%	
GDP	14,595	14,992	15,730	16,676	17,606	18,421	83,425

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
SUMMARY LEVELS

% of GDP	2010	2011	2012	2013	2014	2015	2011-2015
Discretionary Outlays:							
Defense	4.8%	4.9%	4.4%	4.0%	3.8%	3.7%	4.1%
Nondefense	4.7%	4.5%	4.2%	3.8%	3.6%	3.5%	3.9%
Total Discretionary	9.4%	9.4%	8.6%	7.9%	7.4%	7.1%	8.0%
Mandatory Outlays	13.6%	14.1%	12.7%	12.3%	12.5%	12.6%	12.8%
Net Interest Outlays	1.4%	1.6%	1.9%	2.1%	2.4%	2.7%	2.2%
Total Outlays	24.4%	25.1%	23.1%	22.3%	22.3%	22.4%	23.0%
Revenues	14.7%	16.7%	17.4%	18.8%	19.2%	19.5%	18.4%
Unified Deficit/Surplus	-9.7%	-8.4%	-5.7%	-3.6%	-3.1%	-3.0%	-4.6%
Debt Held by the Public	62.1%	67.9%	70.7%	70.5%	70.0%	70.0%	--
Public Debt	92.7%	98.4%	100.9%	100.1%	99.2%	99.0%	--
GDP	14,595	14,992	15,730	16,676	17,606	18,421	83,425

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending - Security/Non-Security Split*

Budget Authority, $ billions	2010	2011	2012	2013	2014	2015
Totals						
Security						
Defense	554.121	573.792	591.610	607.158	623.772	642.657
International	50.892	54.818	61.510	64.574	66.511	67.176
Veterans	53.249	57.169	59.903	61.691	63.559	65.488
Homeland Security (excluding Fn 050)	38.188	42.317	42.905	43.438	43.970	44.831
Subtotal, Security -	**696.450**	**728.086**	**755.928**	**776.861**	**797.812**	**820.152**
Nonsecurity	**397.313**	**396.151**	**397.290**	**397.305**	**397.716**	**402.409**
Total Discretionary	**1,093.763**	**1,124.247**	**1,153.218**	**1,174.166**	**1,195.528**	**1,222.561**

*Excludes funding associated with overseas contingency operations, supplementals, and emergencies.

FISCAL YEAR 2011 BUDGET RESOLUTION
COMMITTEE-REPORTED RESOLUTION
Discretionary Spending Summary

Budget Authority, $ billions	2010	2011	2012	2013	2014	2015	2011-2015
Defense	717.730	733.129	641.610	657.158	673.772	692.657	3,398.326
Nondefense	558.434	550.505	561.608	567.008	571.756	579.904	2,830.781
Total Discretionary	**1,276.164**	**1,283.634**	**1,203.218**	**1,224.166**	**1,245.528**	**1,272.561**	**6,229.107**
Memorandum:							
2010 Supplemental/Overseas Contingency Operations*	49.953	159.387	50.000	50.000	50.000	50.000	359.387
Program Integrity Adjustments*	0.000	2.244	2.648	3.159	0.000	0.000	8.051
Remaining Discretionary Funding	**1,226.211**	**1,122.003**	**1,150.570**	**1,171.007**	**1,195.528**	**1,222.561**	**5,861.669**

*In addition to adjustments for funding for the cost of overseas contingency operations in 2010 and 2011, the resolution assumes $2.244 billion in contingent discretionary cap adjustments in 2011, including: Continuing Disability Reviews and SSI Redeterminations, Internal Revenue Service Tax Enforcement, Health Care Fraud and Abuse Control, and Unemployment Insurance Improper Payment Reviews. In all cases, cap adjustments will be withheld in reserve from the Appropriations Committee's 302(a) allocation until the Committee meets the conditions required for their release. In 2012 and later years, the resolution assumes additional adjustments equal to the President's requests for both the cost of overseas contingency operations and the four program integrity initiatives.

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

	Direct Spending Legislation		Entitlements Funded in Annual Appropriations Acts	
Committee	Budget Authority	Outlays	Budget Authority	Outlays
Appropriations				
General Purpose Discretionary	1,226,211	1,366,891		
Memo: *on-budget*	1,220,142	1,360,979		
off-budget	6,069	5,912		
Mandatory	749,241	737,921		
Total	1,975,452	2,104,812		
Agriculture, Nutrition, and Forestry	15,990	16,097	106,049	94,748
Armed Services	134,879	134,763	107	115
Banking, Housing, and Urban Affairs	-13,436	-38,245	0	0
Commerce, Science, and Transportation	13,700	9,598	1,360	1,307
Energy and Natural Resources	4,655	4,363	442	443
Environment and Public Works	53,113	3,466	0	0
Finance	1,323,349	1,317,199	556,266	556,625
Foreign Relations	37,255	26,357	159	159
Homeland Security and Governmental Affairs	93,138	91,062	10,327	10,327
Judiciary	8,173	8,277	638	673
Health, Education, Labor, and Pensions	-16,384	-14,881	13,663	13,472
Rules and Administration	63	18	24	24
Intelligence	0	0	291	291
Veterans' Affairs	1,740	1,858	59,812	59,633
Indian Affairs	683	676	0	0
Small Business	4,686	4,686	0	0
Unassigned to Committee	-660,397	-654,886	103	104
TOTAL	2,976,659	3,015,220	749,241	737,921

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR 2011
(in millions of dollars)

Committee	Direct Spending Legislation: Budget Authority	Direct Spending Legislation: Outlays	Entitlements Funded In Annual Appropriations Acts: Budget Authority	Entitlements Funded In Annual Appropriations Acts: Outlays
Appropriations				
General Purpose Discretionary	1,122,003	1,313,271		
Memo: *on-budget*	1,115,479	1,306,841		
off-budget	6,524	6,430		
Mandatory	769,359	757,990		
Total	1,891,362	2,071,261		
Agriculture, Nutrition, and Forestry	16,532	15,801	112,457	101,226
Armed Services	138,667	138,566	109	107
Banking, Housing, and Urban Affairs	33,180	40,123	0	0
Commerce, Science, and Transportation	14,461	9,682	1,299	1,347
Energy and Natural Resources	5,213	5,096	450	451
Environment and Public Works	44,159	2,813	0	0
Finance	1,327,651	1,324,243	559,892	560,031
Foreign Relations	31,614	26,349	159	159
Homeland Security and Governmental Affairs	95,146	92,859	10,129	10,129
Judiciary	12,791	9,244	680	690
Health, Education, Labor, and Pensions	8,094	1,439	14,462	14,377
Rules and Administration	62	57	26	25
Intelligence	0	0	292	292
Veterans' Affairs	1,161	1,295	69,297	69,050
Indian Affairs	672	668	0	0
Small Business	0	0	0	0
Unassigned to Committee	-682,958	-675,819	107	106
TOTAL	2,937,807	3,063,677	769,359	757,990

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
5-YEAR: 2011-2015
(in millions of dollars)

	Direct Spending Legislation		Entitlements Funded In Annual Appropriations Acts	
Committee	Budget Authority	Outlays	Budget Authority	Outlays
Agriculture, Nutrition, and Forestry	74,196	73,187	553,840	498,658
Armed Services	736,916	736,232	483	481
Banking, Housing, and Urban Affairs	139,698	58,567	0	0
Commerce, Science, and Transportation	75,245	50,180	6,967	7,012
Energy and Natural Resources	25,854	27,866	1,088	1,089
Environment and Public Works	220,845	14,593	0	0
Finance	7,359,705	7,324,905	3,066,270	3,066,326
Foreign Relations	126,424	134,058	697	697
Homeland Security and Governmental Affairs	504,946	490,012	49,957	49,957
Judiciary	45,955	46,606	3,684	3,700
Health, Education, Labor, and Pensions	3,246	8,052	81,633	81,409
Rules and Administration	301	373	134	133
Intelligence	0	0	1,526	1,526
Veterans' Affairs	5,275	6,119	336,583	335,348
Indian Affairs	2,830	2,848	0	0
Small Business	0	0	0	0

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2009-2015

(In millions of dollars)

	Corporations 2009	2010	2011	2012	2013	2014	2015	2011-15	Individuals 2009	2010	2011	2012	2013	2014	2015	2011-15
National Defense																
1 Exclusion of benefits and allowances to armed forces personnel									11,930	12,570	11,530	11,570	11,920	12,370	12,860	60,250
International affairs:																
2 Exclusion of income earned abroad by U.S. citizens									5,320	5,590	5,870	6,160	6,470	6,790	7,130	32,420
3 Exclusion of certain allowances for Federal employees abroad									920	970	1020	1070	1120	1180	1240	5,630
4 Inventory property sales source rules exception	2,420	2,620	2,830	3,070	3,320	3,590	3,890	16,700								
5 Deferral of income from controlled foreign corporations (normal tax method)	31,560	30,960	32,720	33,870	34,490	33,930	34,130	169,140								
6 Deferred taxes for financial firms on certain income earned overseas	5,570	5,460	5,770	5,980	6,090	5,990	6,020	29,850								
General science, space, and technology:																
7 Expensing of research and experimentation expenditures (normal tax method)	3,560	3,220	4,250	5,390	6,330	6,550	7,310	29,830	260	280	310	330	360	380	400	1,780
8 Credit for increasing research activities	7,620	5,770	3,850	3,080	2,460	1,984	1,558	12,922	390	120	0	0	0	0	0	0
Energy:																
9 Expensing of exploration and development costs, fuels	1,370	1,710	890	770	760	570	290	3,380	270	330	190	150	140	110	60	640
10 Excess of percentage over cost depletion, fuels	310	580	610	860	1,030	1,060	1,090	4,650	30	50	60	80	100	100	100	440
11 Alternative fuel production credit	60	50	20	10	0	0	0	30	0	0	0	0	0	0	0	0
12 Exception from passive loss limitation for working interests in oil and gas properties									20	20	20	20	20	20	20	100
13 Capital gains treatment of royalties on coal									70	60	60	60	70	80	100	370
14 Exclusion of interest on energy facility bonds	0	0	10	10	10	10	10	50	10	10	20	20	20	20	20	100
15 Energy production credit 1/	380	770	1,010	1,230	1,300	1,290	1,260	6,090	50	110	150	200	230	240	240	1,060
16 Energy investment credit 1/	230	430	480	540	350	330	400	2,100	40	100	120	140	70	40	50	420
17 Alcohol fuel credits 2/	40	1,190	8,850	10,900	6,640	3,590	2,020	32,000	10	10	20	40	60	20	10	140
18 Bio-Diesel and small agri-biodiesel producer tax credits 3/	20	10	10	0	0	0	0	10	10	0	0	0	0	0	0	0
19 Tax credit and deduction for clean-fuel burning vehicles	80	180	220	120	160	210	340	1,050	50	60	40	10	10	20	50	130
20 Exclusion of utility conservation subsidies	10	10	0	0	0	0	0	0	180	130	130	120	120	120	120	610
21 Credit for holding clean renewable energy bonds	20	20	30	30	40	40	40	180	60	60	70	90	100	100	100	460
22 Deferral of gain from dispositions of transmission property to implement FERC restructuring policy	-10	-150	-400	-460	-490	-500	-470	-2,320								
23 Credit for investment in clean coal facilities	180	290	480	550	440	360	250	2,080	0	0	0	0	0	0	0	0
24 Temporary 50% expensing for equipment used in the refining of liquid fuels	770	1140	930	760	630	-300	-790	1,230	0	0	0	0	0	0	0	0
25 Natural gas distribution pipelines treated as 15-year property	80	110	120	110	90	80	60	480	0	0	0	0	0	0	0	0
26 Amortize all geological and geophysical expenditures over 2 years	30	120	190	180	160	110	70	710	10	30	50	50	40	30	20	190
27 Allowance of deduction for certain energy efficient commercial building property	50	80	70	70	100	60	10	310	10	20	20	20	30	20	0	90
28 Credit for construction of new energy efficient homes	10	10	10	10	0	0	0	20	20	10	10	10	0	0	0	20
29 Credit for energy efficiency improvements to existing homes	0	0	0	0	0	0	0	0	670	1,950	1,460	0	0	0	0	1,460
30 Credit for energy efficient appliances	130	130	50	0	0	0	0	50	0	0	0	0	0	0	0	0
31 Credit for residential energy efficient property	0	0	0	0	0	0	0	0	110	180	180	180	190	190	190	930
32 Qualified energy conservation bonds	0	0	10	20	30	30	30	120	0	10	30	60	60	90	90	350
Natural resources and environment:																
33 Expensing of exploration and development costs, nonfuel minerals	50	90	90	100	100	100	100	490								0
34 Excess of percentage over cost depletion, nonfuel minerals	880	690	720	730	750	780	800	3,780	20	20	20	20	20	30	30	120
35 Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	70	80	140	160	180	190	200	890	270	230	280	340	370	390	410	1,790
36 Capital gains treatment of certain timber income									70	60	60	60	70	80	100	370
37 Expensing of multiperiod timber growing costs	130	170	180	180	210	200	200	970	80	90	110	110	110	110	110	550
38 Tax incentives for preservation of historic structures	330	340	380	380	400	420	440	2,000	160	100	110	110	120	120	130	590
39 Expensing of capital costs with respect to complying with EPA sulfur regulations	10	0	0	0	0	0	0	0								
40 Exclusion of gain or loss on sale or exchange of certain brownfield sites	30	80	40	30	20	10	0	100	10	20	20	10	10	0	0	40
41 Industrial CO2 capture and sequestration tax credit	0	0	0	0	0	60	130	190								
42 Deduction for endangered species recovery expenditures	0	10	20	20	20	30	30	120	0	10	10	10	10	20	20	70
Agriculture:																
43 Expensing of certain capital outlays	10	10	10	10	10	10	10	50	60	60	60	70	80	80	80	370
44 Expensing of certain multiperiod production costs	10	10	10	10	10	10	10	50	110	100	100	100	110	110	110	530
45 Treatment of loans forgiven for solvent farmers									20	20	20	20	20	20	20	100
46 Capital gains treatment of certain income									700	610	590	560	660	830	970	3,620
47 Income averaging for farmers									90	90	90	90	90	90	100	460
48 Deferral of gain on sale of farm refiners	20	20	20	20	20	20	20	100								
Commerce and housing:																
Financial institutions and insurance:																
49 Exemption of credit union income	650	660	740	790	880	960	1,030	4,370								
50 Exclusion of interest on life insurance savings	1,530	1590	1680	1770	1860	1970	2070	9,350	18780	19550	21390	22930	24560	26250	27790	122,920
51 Special alternative tax on small property and casualty insurance companies	40	40	40	50	50	50	60	250								
52 Tax exemption of certain insurance companies owned by tax-exempt organizations	190	200	200	210	210	220	220	1,060								
53 Small life insurance company deduction	50	50	50	50	50	50	50	250								
54 Exclusion of interest spread of financial institutions									-120	520	960	1,070	1,160	1,250	1,330	6,170

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2009-2015

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011-15	2009	2010	2011	2012	2013	2014	2015	2011-15
	Housing:																
55	Exclusion of interest on owner-occupied mortgage subsidy bonds	200	220	400	510	510	520	550	2,490	760	650	790	960	1,030	1,090	1,160	5,030
56	Exclusion of interest on rental housing bonds	170	180	340	430	430	440	470	2,110	640	550	670	810	870	930	980	4,260
57	Deductibility of mortgage interest on owner-occupied homes									79,400	92,160	104,540	116,020	127,840	138,000	149,560	637,560
58	Deductibility of State and local property tax on owner-occupied homes									29,010	16,660	23,710	28,730	31,340	32,700	33,090	151,170
59	Deferral of income from installment sales									720	720	810	880	1,020	1,150	1,260	5,120
60	Capital gains exclusion on home sales									23,500	23,660	31,300	39,510	43,640	48,200	53,230	215,880
61	Exclusion of net imputed rental income									27,040	32,530	37,630	40,610	41,020	48,330	56,100	223,690
62	Exception from passive loss rules for $25,000 of rental loss									6,020	5,910	7,330	8,510	9,670	11,120	13,010	49,640
63	Credit for low-income housing investments	3,610	5,400	5,660	6,330	7,160	7,510	7,630	34,490	190	280	310	330	380	400	400	1,820
64	Accelerated depreciation on rental housing (normal tax method)	500	760	890	1,020	1,350	1,410	1,480	6,150	3,380	3,880	4,680	6,080	7,030	7,950	8,490	34,530
65	Discharge of mortgage indebtedness									380	260	200	180	120	0	0	600
66	Credit for homebuyer									9,730	16,540	1,530	-1,980	-1,210	-800	-490	-2,950
	Commerce:																
67	Cancellation of indebtedness									300	130	-10	-50	-30	0	40	-50
68	Exceptions from imputed interest rules									50	50	50	50	50	50	50	250
69	Treatment of qualified dividends									22,425	38,012	26,859	0	0	0	0	26,859
70	Capital gains (except agriculture, timber, iron ore, and coal)									52,580	45,360	44,290	41,090	51,120	62,230	72,180	270,910
71	Capital gains exclusion of small corporation stock									50	50	170	290	300	470	690	1,920
72	Step-up basis of capital gains at death									41,370	38,740	44,520	53,270	57,260	61,560	66,180	282,790
73	Carryover basis of capital gains on gifts									1,630	1,430	4,790	2,050	2,740	2,940	3,160	15,680
74	Ordinary income treatment of loss from small business corporation stock sale									50	60	60	60	60	60	60	300
75	Accelerated depreciation of buildings other than rental housing (normal tax method)	-2,380	-3,420	-3,760	-3,880	-4,740	-4,730	-5,020	-22,130	-6,970	-7,660	-9,100	-10,080	-10,780	-11,630	-12,620	-54,120
76	Accelerated depreciation of machinery and equipment (normal tax method)	23,040	320	-5,160	1,750	11,610	18,490	24,770	51,660	34,380	10,150	8,330	12,370	18,900	25,820	31,630	95,050
77	Expensing of certain small investments (normal tax method)	-170	190	-850	-380	-50	70	150	-540	40	220	-2,850	-2,460	-660	140	610	-5,220
78	Graduated corporation income tax rate (normal tax method)	2,720	2,880	3,120	3,070	3,160	3,420	3,600	16,360	0	0	0	0	0	0	0	0
79	Exclusion of interest on small issue bonds	50	80	110	140	140	140	150	680	200	170	210	260	280	290	310	1,350
80	Deduction for US production activities	6,930	8,770	10,320	10,910	11,570	12,260	12,950	58,010	2,090	2,760	3,320	3,510	3,720	3,950	4,170	18,670
81	Special rules for certain film and TV production	80	40	-50	-90	-70	-60	-40	-300	10	10	-10	-20	-20	-10	-10	-70
	Transportation:																
82	Deferral of tax on shipping companies	20	20	20	20	20	20	20	100	0	0	0	0	0	0	0	0
83	Exclusion of reimbursed employee parking expenses									2,980	3,020	3,100	3,190	3,320	3,460	3,590	16,660
84	Exclusion for employer-provided transit passes									540	580	630	580	600	640	670	3,000
85	Tax credit for certain expenditures for maintaining railroad tracks	70	100	60	30	10	10	0	110	10	10	10	0	0	0	0	10
86	Exclusion of interest on bonds for Financing of Highway Projects and rail-truck transfer facilities	20	30	30	20	10	10	10	80	70	70	70	70	60	60	50	290
	Community and regional development:																
87	Investment credit for rehabilitation of structures (other than historic)	10	10	10	10	10	10	10	50	20	20	20	20	20	20	20	100
88	Exclusion of interest for airport, dock, and similar bonds	140	150	290	360	360	370	390	1,770	540	460	560	680	730	770	820	3,560
89	Exemption of certain mutuals' and cooperatives' income	110	110	110	110	120	120	120	580								
90	Empowerment zones and renewal communities	270	140	80	110	130	150	140	610	860	610	350	470	550	590	590	2,550
91	New markets tax credit	820	650	720	730	700	660	690	3,400	60	70	80	80	80	80	70	390
92	Expensing of environmental remediation costs	240	20	-120	-120	-120	-110	-100	-570	60	0	-20	-20	-20	-20	-20	-100
93	Credit to holders of Gulf Tax Credit Bonds.	0	20	20	20	10	10	10	70	30	60	60	50	40	40	40	230
94	Recovery Zone Bonds 4/	0	0	10	10	10	10	10	50	0	0	20	30	30	30	30	140
95	Tribal Economic Development Bonds	0	50	120	160	160	170	160	600	0	90	260	310	330	350	370	1,620
	Education, training, employment, and social services:																
	Education:																
96	Exclusion of scholarship and fellowship income (normal tax method)									2,080	2,160	2,250	2,340	2,440	2,540	2,650	12,220
97	HOPE tax credit									2,920	0	840	4,250	4,460	4,680	4,900	19,130
98	Lifetime Learning tax credit									3,660	2,910	3,360	4,780	5,010	5,250	5,510	23,910
99	American Opportunity Tax Credit									2,480	13,690	11,380	0	0	0	0	11,380
100	Education Individual Retirement Accounts									40	60	70	80	80	90	100	420
101	Deductibility of student-loan interest									1,250	1,260	1,130	690	610	640	660	3,630
102	Deduction for higher education expenses									1,790	520	0	0	0	0	0	0
103	State prepaid tuition plans									1,200	1,390	1,580	1,750	1,860	1,950	2,050	9,190
104	Exclusion of interest on student-loan bonds	80	100	190	230	230	240	260	1,140	350	300	360	440	480	500	530	2,310
105	Exclusion of interest on bonds for private nonprofit educational facilities	360	400	750	940	940	970	1,020	4,620	1400	1210	1470	1780	1910	2030	2150	9,340
106	Credit for holders of zone academy bonds	190	220	260	290	280	250	230	1,310								
107	Exclusion of interest on savings bonds redeemed to finance educational expenses									20	20	20	20	20	20	20	100
108	Parental personal exemption for students age 19 or over									4,440	2,740	2,780	3,140	2,950	2,760	2,550	14,170
109	Deductibility of charitable contributions (education)	590	610	640	690	740	780	830	3,680	3,680	3,680	4,300	4,660	5,060	5,410	5,760	25,230
110	Exclusion of employer-provided educational assistance									660	680	30	0	0	0	0	30
111	Special deduction for teacher expenses									180	160	0	0	0	0	0	0
112	Discharge of student loan indebtedness									20	20	20	20	20	20	20	100
113	Qualified school construction bonds	10	40	90	170	240	260	280	1,020	10	70	220	460	700	800	800	2,980
	Training, employment, and social services:																
114	Work opportunity tax credit	680	700	620	440	230	110	50	1,450	190	210	210	100	30	20	10	370
115	Welfare-to-work tax credit	40	20	10	10	0	0	0	20	10	10	0	0	0	0	0	0
116	Employer provided child care exclusion									770	1210	1370	1410	1480	1550	1630	7,440

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2009-2015

(In millions of dollars)

		Corporations								Individuals							
		2009	2010	2011	2012	2013	2014	2015	2011-15	2009	2010	2011	2012	2013	2014	2015	2011-15
117	Employer-provided child care credit	10	20	10	0	0	0	0	10								0
118	Assistance for adopted foster children									450	460	490	520	550	580	610	2,750
119	Adoption credit and exclusion									530	560	480	90	90	90	90	820
120	Exclusion of employee meals and lodging (other than military)									1,010	1,000	1,110	1,170	1,230	1,300	1,370	6,180
121	Child credit 5/									25,640	23,450	18,550	10,870	10,610	10,320	9,990	60,340
122	Credit for child and dependent care expenses									4,330	3,750	2,200	1,890	1,830	1,730	1,650	9,300
123	Credit for disabled access expenditures	10	10	10	10	10	10	10	50	10	10	10	20	20	20	20	90
124	Deductibility of charitable contributions, other than education and health	1,350	1,370	1,430	1,510	1,600	1,690	1790	8,020	35,360	38,350	42,420	46,220	49,970	53,450	57,060	249,120
125	Exclusion of certain foster care payments									440	420	400	390	390	390	370	1,940
126	Exclusion of parsonage allowances									580	620	660	700	740	790	840	3,730
127	Employee retention credit for employers in certain federal disaster areas	70	20	0	0	0	0	0	0	70	20	0	0	0	0	0	0
128	Exclusion for benefits provided to volunteer EMS and firefighters									60	60	60	0	0	0		60
129	Temporary income exclusion for employer provided lodging in Midwestern disaster area									20	0	0	0	0	0	0	0
130	Making work pay tax credit 6/									9,340	23,450	14,160	0	0	0	0	14,160
	Health:																
131	Exclusion of employer contributions for medical insurance premiums and medical care 7/									144,412	159,888	176,984	191,540	208,650	228,040	248,600	1,053,794
132	Self-employed medical insurance premiums									4,870	5,250	5,740	6,150	6,580	7,120	7,780	33,370
133	Medical Savings Accounts / Health Savings Accounts									1,930	2,030	2,130	2,240	2,350	2,470	2,590	11,780
134	Deductibility of medical expenses									8,760	9,090	10,030	10,980	11,970	13,260	14,910	61,150
135	Exclusion of interest on hospital construction bonds	570	610	1,130	1,420	1,420	1,470	1,550	6,990	2,120	1,830	2,220	2,690	2,690	3,070	3,240	14,110
136	Deductibility of charitable contributions (health)	160	160	190	200	210	230	240	1,070	3,970	4,080	4,760	5,180	5,600	6,000	6,400	27,940
137	Tax credit for orphan drug research	270	290	320	350	380	410	450	1,910								
138	Special Blue Cross/Blue Shield deduction	780	890	690	660	690	630	690	3,160								
139	Tax credit for health insurance purchased by certain displaced and retired individuals 8/									10	10	10	10	10	10	10	50
140	Distributions from retirement plans for premiums for health and long-term care insurance									260	300	330	380	400	440	490	2,020
	Income security:																
141	Exclusion of railroad retirement system benefits									330	320	300	280	260	250	250	1,340
142	Exclusion of workers' compensation benefits									5,810	5,870	5,940	6,070	6,170	6,270	6,370	30,820
143	Exclusion of public assistance benefits (normal tax method)									600	640	670	710	740	780	790	3,670
144	Exclusion of special benefits for disabled coal miners									40	40	40	40	40	40	40	200
145	Exclusion of military disability pensions									110	110	110	110	110	110	120	560
	Net exclusion of pension contributions and earnings:																
146	Employer plans									40,670	41,390	44,630	47,870	49,050	51,950	53,980	247,480
147	401(k) plans									44,128	63,549	67,061	70,168	72,716	74,712	76,163	360,840
148	Individual Retirement Accounts									12,090	12,760	14,080	15,770	16,190	16,400	16,500	78,940
149	Low and moderate income savers credit									1,050	1,160	1,170	1,130	1,060	1,000	960	5,320
150	Keogh plans									12,770	13,890	15,120	17,190	19,740	21,100	22,610	95,760
	Exclusion of other employee benefits:																
151	Premiums on group term life insurance									2,160	2,110	2,160	2,280	2,320	2,350	2,390	11,500
152	Premiums on accident and disability insurance									320	330	340	350	360	360	360	1,770
153	Income of trusts to finance supplementary unemployment benefits									30	40	50	50	50	50	60	260
154	Special ESOP rules	1,280	1,250	1,330	1,410	1,460	1,550	1,620	7,390	420	460	470	490	520	550	580	2,610
155	Additional deduction for the blind									40	30	40	50	50	50	50	240
156	Additional deduction for the elderly									2,230	2,030	2,800	3,100	3,300	3,550	3,890	16,240
157	Tax credit for the elderly and disabled									10	10	10	10	10	10	10	50
158	Deductibility of casualty losses									510	560	640	680	720	750	780	3,570
159	Earned income tax credit 9/									4,420	6,190	6,200	8,360	8,540	8,790	9,090	41,000
160	Additional exemption for housing disaster related displaced individuals									10	0	0	0	0	0	0	0
161	Exclusion of unemployment insurance benefits									1,310	5,220	0	0	0	0	0	0
	Social Security:																
	Exclusion of social security benefits:																
162	Social Security benefits for retired workers									20,870	21,410	20,240	21,380	22,560	24,160	26,810	115,150
163	Social Security benefits for disabled workers									6,460	6,980	7,160	7,450	7,760	8,080	8,580	39,020
164	Social Security benefits for spouses, dependents and survivors									3,650	3,850	3,140	3,150	3,170	3,200	3,330	15,990
165	Tax Credit for Certain Government Retirees 10/									40	110	0	0	0	0	0	
	Veterans benefits and services:																
166	Exclusion of veterans death benefits and disability compensation									3,900	4,130	4,370	4,630	4,910	5,200	5,510	24,620
167	Exclusion of veterans pensions									190	200	220	250	260	270	270	1,270
168	Exclusion of GI bill benefits									300	470	770	1,010	1,270	1,570	1,910	6,530
169	Exclusion of interest on veterans housing bonds	10	10	10	10	20	20	20	80	10	20	20	30	30	40	40	160
	General purpose fiscal assistance:																
170	Exclusion of interest on public purpose State and local bonds	4,860	5,180	9,690	12,140	12,170	12,570	13,200	59,770	18,140	15,630	18,970	22,990	24,730	26,210	27,710	120,610
171	Build America Bonds 11/	-40	-390	-540	-570	-550	-530	-510	-2,700	-160	-910	-1,580	-1,540	-1,480	-1,430	-1,370	-7,400
172	Deductibility of nonbusiness State and local taxes other than on owner-occupied homes									45,310	33,920	46,500	58,100	61,890	65,320	68,250	300,060

TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2009-2015

(in millions of dollars)

	Corporations								Individuals							
	2009	2010	2011	2012	2013	2014	2015	2011-15	2009	2010	2011	2012	2013	2014	2015	2011-15
Interest:																
173 Deferral of interest on U.S. savings bonds									1,270	1,180	1,220	1,300	1,320	1,330	1,340	6,510
Addendum: Aid to State and local governments:																
Deductibility of:																
Property taxes on owner-occupied homes									29,010	18,660	23,710	29,730	31,340	32,700	33,690	151,170
Nonbusiness State and local taxes other than on owner-occupied homes									46,310	33,920	46,500	58,100	61,890	65,320	68,250	300,060
Exclusion of interest on State and local bonds for:																
Public purposes	4,860	5,180	9,690	12,140	12,170	12,570	13,200	59,770	18,140	15,630	18,970	22,990	24,730	26,210	27,710	120,610
Energy facilities	0	0	10	10	10	10	10	50	10	10	20	20	20	20	20	100
Water, sewage, and hazardous waste disposal facilities	70	80	140	180	180	190	200	890	270	230	280	340	370	390	410	1,790
Small-issues	50	60	110	140	140	140	150	680	200	170	210	260	280	290	310	1,350
Owner-occupied mortgage subsidies	200	220	400	510	510	520	550	2,490	760	650	790	960	1,030	1,090	1,160	5,030
Rental housing	170	180	340	430	430	440	470	2,110	640	550	670	810	870	930	980	4,260
Airports, docks, and similar facilities	140	150	290	360	360	370	390	1,770	540	460	560	680	730	770	820	3,560
Student loans	90	100	190	230	230	240	250	1,140	350	300	360	440	460	500	530	2,310
Private nonprofit educational facilities	380	400	750	940	940	970	1,020	4,620	1,400	1,210	1,470	1,760	1,910	2,030	2,150	9,340
Hospital construction	570	610	1,130	1,420	1,420	1,470	1,550	6,990	2,120	1,830	2,220	2,690	2,890	3,070	3,240	14,110
Veterans' housing	0	0	10	10	10	10	10	50	10	10	10	10	10	10	10	50
GO Zone and GO Zone mortgage	20	20	30	40	40	40	40	230	60	50	60	70	80	80	90	380
Credit for holders of zone academy bonds	190	220	260	290	280	250	230	1,310								

1/ Firms can tax an energy grant in lieu of the energy production credit or the energy investment credit for facilities placed in service in 2009 and 2010 or whose construction commenced in 2009 and 2010. The effect of the grant on outlays (in millions of dollars) is as follows 2009 $1,050; 2010 $3,090; 2011 $4,460; 2012 $4,240; 2013 $2,360, 2014 $230; 2015 $30.

2/ In addition, the alcohol fuel credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 $5,160; 2010 $6,100, 2011 $1,940, 2012 $0; 2013 $0, 2014 $0, 2015 $0.

3/ In addition, the biodiesel producer tax credit results in a reduction in excise tax receipts (in millions of dollars) as follows: 2009 $810; 2010 $200; 2011 $0; 2012 $0; 2013 $0; 2014 $0; 2016 $0

4/ In addition, recovery zone bonds have outlay effects (in millions of dollars) as follows: 2009 $0; 2010 $60, 2011 $150; 2012 $170, 2013 $170; 2014 $170; and 2015 $170.

5/ 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 $19,150, 2010 $30,290; 2011 $29,790, 2012 $1,490; 2013 $1,460; 2014 $1,420; and 2015 $,1380

6/ The figures in the table indicate the effect of the making work pay tax credit on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2009 $645, 2010 $32,528; and 2011 $31,490

7/ The figures in the table indicate the effect on income taxes of the employer contributions for health. In addition, the effect on payroll tax receipts (in millions of dollars) is as follows: 2009 $97,130, 2010 $101,710; 2011 $106,730; 2012 $113,570; 2013 $121,770; 2014 $130,880, and 2015 $140,400.

8/ 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 $100; 2010 $110, 2011 $110; 2012 $120, 2013 $130; 2014 $140, and 2015 $150

9/ 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 $44,370, 2010 $51,500; 2011 $51,460; 2012 $43,980; 2013 $43,660; 2014 $44,130; and 2015 $44,380.

10/ The figures in the table indicate the effect of the tax credit for certain government retirees on receipts. The effect of the credit on outlays (in millions of dollars) is as follows: 2010 $99.

11/ In addition, Build America Bonds have outlay effects of (in millions of dollars): 2009 $20; 2010 $2,900, 2011 $3,050; 2012 $2,960; 2013 $2,850, 2014 $2,740; and 2015 $2,640.

Note: 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: Office of Management and Budget.

9. COMMITTEE VIEWS AND ESTIMATES

BLANCHE L. LINCOLN, ARKANSAS
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MICHAEL BENNET, COLORADO
KIRSTEN GILLIBRAND, NEW YORK

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510–6000
202–224–2035

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RANKING REPUBLICAN MEMBER
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JOHN THUNE, SOUTH DAKOTA
JOHN CORNYN, TEXAS

March 5, 2010

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 2011 (FY11) budget resolution. These views are provided in response to your February 12, 2010, 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 FY11 budget resolution process.

At the outset we must be clear in our strong opposition to the proposed cuts to farm programs included in the Administration's FY11 budget proposal. The Administration's proposed budget for the Department of Agriculture includes mandatory spending reductions totaling $812 million for fiscal year 2011 and total savings over a ten-year period exceeding $10 billion. The House and Senate Agriculture Committees stayed within strict budget limits in crafting the Food, Conservation, and Energy Act (FCEA) of 2008, which included more than $7 billion worth of cuts to farm programs and the crop insurance program. We believe that current levels of federal spending on farm, nutrition, and related programs under this Committee's jurisdiction are well justified. The FCEA, enacted less than two years ago, reflects compromises hammered out through an arduous and lengthy negotiation and received strong bipartisan support in both houses of Congress. The legislation also represents a five-year commitment to farmers as to the structure of the programs they rely on. A major change to those programs in mid-stream would disrupt their business planning, disastrously so for some. We ask the Committee on Budget not to direct reductions in spending in these programs.

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

Mandatory spending outlays under the Committee's jurisdiction are projected to be nearly $111 billion in fiscal year 2010 (FY10), an increase of $18 billion over the previous fiscal year. The bulk of that increase is expected on food and nutrition assistance spending, as the current economic recession has forced record numbers of Americans to seek help through the Supplemental Nutrition Assistance Program (SNAP). Provisions of the American Recovery and Reinvestment Act of 2009 also contributed to the increased spending level by temporarily increasing benefit levels for SNAP recipients.

The January 2010 Congressional Budget Office (CBO) baseline projects that mandatory spending under our jurisdiction will stabilize over the baseline period of FY11 through fiscal year 2020 (FY20), declining from $116 billion in FY11 to 0.6 percent below the FY10 level by FY20. By contrast, mandatory spending in the federal budget outside the jurisdiction of our Committee is projected by CBO to grow more rapidly by nearly 5 percent per year to $2.89 trillion by FY20. In FY20, mandatory spending by the U.S. Department of Agriculture is projected to account for about 3.6 percent of total mandatory spending by the federal government, assuming a continuation of current law governing such programs, down from 5.2 percent in FY06.

In 2010, the Committee is scheduled to reauthorize the nation's child nutrition programs, including the National School Lunch and the School Breakfast Program, the Child and Adult Care Food Program, the Women, Infants and Children (WIC) Program, and the Summer Food Service Program. As part of this process, the Committee has already held hearings, in which witnesses clearly demonstrated the critical role that these programs play in fighting hunger and poor nutrition and the need for significant additional funding to address rising food insecurity and childhood obesity. We respectfully request that the FY11 Budget Resolution provide an amount of $1 billion per year in additional funds in a reserve account for the child nutrition reauthorization to enable investment in crucial areas of program access and participation, nutritional improvement, and program integrity and modernization.

We believe that the sum provided to the Committee in that reserve account for child nutrition programs should be a specific figure and operate as additional funding clearly available to the Committee. In these difficult economic times, one area of agriculture should not be disadvantaged in order to address needed improvements elsewhere. In addition, we believe that the provision should be enforceable and fiscally responsible, so as not to increase the budget deficit.

We are opposed to the proposal in the FY11 budget to consolidate the Forest Products, Wildlife & Fisheries, and Vegetation & Watershed Management accounts into a single, Integrated Resource Restoration Account. The agency seems to believe that the Forest Products Program must generate positive revenues to the Treasury and seems intent on eliminating the timber sale program. This represents a significant departure from the multiple uses, sustained yield mandate embodied in several forest management laws, from the Organic Act, the Multiple Use Sustained Yield Act, and the National Forest Management Act. The Committee is not convinced that the Integrated Resource Restoration Program provides adequate accountability for planned multiple use outputs. Congress has provided ample authorities for the agency to direct funds from a variety of programs to resource restoration activities, and we support efforts to fund several large demonstration projects in FY11.

We also ask that the budget resolution provide adequate discretionary funding for the important programs in our Committee's jurisdiction that rely on annual appropriations, such as

Views and Estimates letter

food safety, forestry, nutrition, research, trade, rural development, conservation, biomass research and development, renewable energy projects, and agricultural credit programs so we can meet these needs without having to resort to restrictions on mandatory funding.

Thank you for this opportunity to provide data, views and recommendations regarding the FY11 budget resolution process.

Sincerely,

Blanche L. Lincoln
Senator Blanche Lincoln
Chairman

Saxby Chambliss
Senator Saxby Chambliss
Ranking Republican Member

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510–6050

March 5, 2010

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 2011 budget resolution. The President's budget submission of February 1, 2010, requests $579.4 billion in new budget authority for the national defense base budget and $159.3 billion for overseas contingency operations for fiscal year 2011. The base budget includes $553.2 billion for Department of Defense, $18.8 billion for defense programs in the Department of Energy, and $7.4 billion for defense-related activities. We anticipate that meeting our national security requirements and providing for our men and women in uniform will require these totals apportioned in discretionary and mandatory programs as requested. We recommend that you include these amounts and the associated outlays (subject to any technical revisions by the Congressional Budget Office) in the budget resolution for fiscal year 2011.

We note that the Administration's request includes a proposal to modify current law to allow concurrent receipt of military retired pay and Veterans Disability Compensation by all retirees receiving disability retired pay. However, we note that the Administration, as it did in last year's budget request, failed to identify a funding source to offset the increase in mandatory spending. We support adding those amounts ($264 million in fiscal year 2011 and $5,362 million over 2011 to 2020, according to the Administration's documents) to the Armed Services Committee's baseline allocation for mandatory spending, through identification of acceptable mandatory offsets.

We believe the mechanisms put in place in section 401 of the fiscal year 2010 budget resolution to provide for discretionary cap adjustments for the appropriate costs of overseas deployments and related activities, and section 403 providing for emergency expenses, should be included in the fiscal year 2011 resolution. We recommend that the resolution continue to provide these mechanisms to allow the Budget Committee to further adjust the spending limits at a later date as needed.

The committee recognizes the requirement pursuant to section 411 of the fiscal year 2010 budget resolution that requires recommendations for rooting out waste, fraud, and abuse, and improving governmental performance. Last year, as it does every year, the committee made adjustments in requested authorization levels for specific procurement and research and development programs to reduce wasteful spending. In addition, the committee has annually enacted legislation to improve defense contracting. Last year, for example, the Committee was responsible for the enactment of the Weapon Systems Acquisition Reform Act of 2009, which addresses the fundamental problems in the defense acquisition system which have led to billions of dollars of cost overruns by --

- establishing a strong new Senate-confirmed Director of Cost Assessment and Program Evaluation, reporting directly to the Secretary of Defense, to ensure that defense acquisition programs are based on sound cost estimates;
- requiring the Department of Defense to rebuild its systems engineering and developmental testing organizations and capabilities to ensure that design problems are understood and addressed early;
- establishing mechanisms to ensure early trade-offs are made between cost, schedule, and performance objectives, so that the Pentagon doesn't commit itself to overly-expensive or unachievable program requirements;
- requiring the increased use of competitive prototyping, so that the Pentagon selects the best systems and proves that they can work before it starts building them;
- establishing new requirements for continuing competition and new restrictions on organizational conflicts of interest by the defense industry;
- requiring regular program reviews and "root cause analyses" to identify and address developing problems in acquisition programs; and
- establishing tough new Nunn-McCurdy requirements for failing programs – including a presumption of termination and the requirement that continuing programs be justified from the ground up – to ensure that we don't throw good money after bad on these programs.

In addition, the National Defense Authorization Act for 2010 included provisions that enhance the ability of the DOD Inspector General (IG) to conduct audits and investigations by authorizing the IG to subpoena witnesses to provide testimony and adding $15 million to the DOD budget to fund a growth plan that will enable the IG to provide improved oversight of operations in Iraq and Afghanistan, and to identify potential waste, fraud and abuse in DOD contracts; improve

DOD financial management by requiring the Department of Defense to engage in business process reengineering before acquiring new information technology systems and submit regular reports on its progress toward auditable financial statements; and require the Department of Defense to develop a comprehensive plan to address longstanding problems in its inventory management systems, which lead it to acquire and store hundreds of millions of dollars worth of unneeded items. The committee will continue its efforts to develop recommendations for improving government performance and, where appropriate, will develop legislation.

Additionally, we note that after almost a decade of combat operations, the readiness of our non-deployed force has declined due to equipment being taken to support deploying units, in addition to a heavy emphasis being placed on training for counter-insurgency operations versus training for full-spectrum operations. Consequently, as stated in the Chairman of the Joint Chiefs of Staff's current national defense risk assessment, we face increased risk in our ability to respond to unforeseen contingencies including potential domestic crises. Accordingly, we urge the Budget Committee to fully support the Administration's national defense budget request so that we can assist the department in restoring and protecting vital readiness accounts.

Finally, we have questions about the realism of the budget's estimate of $50 billion for overseas contingency operations funding for FY 2012 and outyears with the sizeable number of forces planned to be conducting contingency operations, especially in Afghanistan.

Sincerely,

John McCain
Ranking Member

Carl Levin
Chairman

United States Senate

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

March 5, 2010

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

The Honorable Judd Gregg
Ranking Member
Committee on the Budget
Washington, DC 20510

Dear Chairman Conrad and Ranking Member Gregg:

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

Financial and Economic Stabilization

Although the financial sector has stabilized, significant problems remain. Issuance of mortgage-backed securities without the guarantees provided by Fannie Mae, Freddie Mac or Ginnie Mae is virtually non-existent. Issuance of commercial mortgage-backed securities, which funded about 30 percent of commercial real estate originations before the financial crisis began, ceased between mid-2008 and November 2009 and remains extraordinarily low.

In addition, households and small businesses, which are dependent on banks for financing, continue to find that access to credit is difficult. The January 2010 Senior Loan Officer Opinion Survey, conducted by the Federal Reserve, showed that while commercial banks had generally ceased tightening standards on many loan types in the 2009Q4, they have yet to unwind the considerable tightening that has occurred over the past two years. Demand from both businesses and households for all major categories of loans weakened over the quarter.

The real economy remains in recession and many households have experienced job loss. U.S. non-farm payroll employment declined by 36,000 in February 2010 (on a seasonally adjusted basis) according to data from the Bureau of Labor Statistics. Job loss has slowed from its peak value of 779,000 in January 2009, but total payroll employment is far below its pre-recession level. Since the recession began in December 2007 net payroll employment losses total 8.4 million.

Congress may enact proposals to stimulate the provision of credit to small businesses, which are reportedly having some of the greatest difficulties accessing credit, as well as other measures to support output and employment. The Committee will monitor these issues carefully throughout the year.

Financial Regulatory Modernization

The Committee is working to modernize the financial regulatory system to address problems revealed by the financial crisis, and to create a regulatory system that meets the challenges of the 21st century financial marketplace. The legislation is likely to establish a council of financial institution regulators to monitor and address risks to the financial stability of the U.S., as well as to enhance the regulation of large and complex financial companies that pose a systemic risk. To ensure that no financial company is "too big to fail," the legislation is expected to establish a new mechanism to wind down failing systemically important financial companies without threatening financial stability and without imposing losses on taxpayers. The legislation is expected to enhance the protection of consumers of financial products and services and to improve and streamline the supervision of depository institutions and their holding companies. The legislation will likely limit the scope of the Federal Reserve's emergency lending authority, prohibiting the Federal Reserve from using this authority to lend to individual firms, but giving it the ability to lend to systemically important financial utilities. Please include a reserve fund for this legislation within the FY 2011 Budget Resolution.

Securities Markets Oversight and Investor Protection

The United States capital markets are recovering from a severe financial crisis in which the Securities and Exchange Commission did not have adequate resources to perform well as the primary market regulator. The securities markets have entered a new era characterized by trades measured in milliseconds, securities backed by other securities, complex algorithmic trades, and investment banks that offer a panoply of financial services. The SEC is now in the process of implementing reforms to adapt to the contemporary securities markets while performing its core mission of protecting investors, maintaining fair, orderly, and efficient markets, and facilitating capital formation.

The President's proposed FY 2011 budget would appropriate $1.234 billion for the SEC. This budget would be an increase of $123 million over FY 2010, an increase of 10%. The budget would add the equivalent of 374 full-time employees for a total of 4,188, an increase of 9.8%. The budget also includes an additional $24 million contingent upon enactment of financial reform legislation. This sum would bring the total SEC budget to $1.258 billion, which would be a 13% increase over FY 2010. This proposed budget would give the SEC the resources to implement important reforms effectively and become the securities regulator that investors expect and the markets sorely need.

Among other things, the proposed budget includes funds to adequately staff enforcement functions to address increasingly complex financial products and transactions as well as funds to invest in technology to keep pace with the ever-increasing sophistication and innovation of the securities markets. Specifically, the SEC plans to focus resources on the redesign of the system for requesting trade data; a new IT forensics lab; and a new complaints, tips, and referrals tracking system.

The proposed budget would also fund plans to expand and enhance the SEC's oversight of registered advisers. The proposed budget would fund projects to modernize both disclosure forms and the EDGAR system to make disclosure of information more relevant, timely, and transparent. The budget would also address issues related to central clearing of credit default swaps, short sales of securities, manipulation, broker-dealer registration, financial responsibility, privacy, and point-of-sale disclosure.

The SEC will receive a budget increase that is substantial. They should continue to take steps to use human resources more efficiently and effectively. There has been news about serious problems which have eroded public confidence and, in some cases, been costly. These include the inability of multiple SEC offices to detect the Madoff securities fraud despite staff pursuing credible tips in targeted exams and investigations over almost two decades; courts overturning Commission final rules and rejecting a major settlement proposal as "a contrivance" and matters that the Inspector General has reported about expenditures made without appropriate prior cost-benefit analysis and other matters.

Housing and Community Development Programs

The President's FY 2011 budget contains significant proposals to preserve and increase the supply of affordable housing, help families facing foreclosure, and promote community and economic development. The Committee strongly supports providing at least the Administration's $48.5 billion request for appropriated programs within the Department of Housing and Urban Development (HUD) and for programs within the Department of Agriculture's Rural Housing Service in the FY 2011 Budget Resolution. We also request that you include additional funding in your allocation to the Appropriations Committee to restore the Administration's proposed FY 2011 funding cuts to certain public and Native American housing programs and housing programs for the elderly and persons with disabilities and to accommodate key initiatives as discussed below. We also support the requested $1 billion in mandatory funding for the Housing Trust Fund.

Our families and our state and local governments face real challenges in the current economic climate. The February 2010 unemployment rate stood at 9.7 percent, and nearly 17 percent of Americans were unemployed or working less than they want to. Currently, 48 states are facing budget shortfalls, and local governments are anticipating the further effects of declining property values and unemployment on their tax bases. These challenges make funding for the Department of Housing and Urban Development and the housing programs of the Department of Agriculture all the more important.

Millions of Americans faced unmet housing needs prior to the current economic crisis because the market does not provide sufficient housing affordable to low-wage workers and those on low fixed incomes. Currently, a person with a full-time job would need to earn an hourly wage of $17.84 in order to afford a modest, two-bedroom rental at HUD's national average fair market rent. This is an amount far above the minimum wage or income available to persons with disabilities dependent upon Supplemental Security Income. In 2008, more than 20 percent of low- to moderate-income working households spent at least half their income on housing. Families burdened by housing costs have less available to meet other essential needs like food and medicine, and may even face homelessness. Before the full brunt of the recession had hit, 1.6 million Americans – including veterans, persons with disabilities, and young children – experienced homelessness and were in shelters at some point during the year.

The recession has aggravated America's housing crisis. Spikes in unemployment directly affect families' ability to afford housing. A quarter of the unemployed polled in a recent New York Times/CBS poll said they had either lost their home or been threatened with foreclosure or eviction for not paying their mortgage or rent. In 2009, communities reported growing family homelessness and shelters at- or over-capacity. The National Alliance to End Homelessness estimated in early 2009 that an additional 1.5 million people would experience homelessness as a result of the recession, but this estimate assumed that unemployment would not exceed nine percent. Now, many states and cities administering emergency homelessness prevention and re-housing funds provided by the American Recovery and Reinvestment Act are reporting overwhelming requests for available assistance and expecting that these funds will run out far sooner than anticipated.

Federal housing and community development programs both provide a safety net for our citizens and create and preserve jobs across the country. As our families and state and local government partners struggle, the federal government must help to preserve existing affordable housing resources, create new affordable housing to prevent homelessness in America, protect homeowners, and ensure ongoing investment in our communities.

Housing Trust Fund

The Committee strongly supports the Administration's request to capitalize the Housing Trust Fund with $1 billion in FY 2011. Congress authorized the Housing Trust Fund to finance the development, rehabilitation, and preservation of affordable housing for low-income households. The Housing Trust Fund is particularly important at this time to meet America's severe housing needs while creating construction and real estate management jobs. Please include $1 billion in mandatory funding requested by the Administration within the budget resolution.

Rental Assistance Programs

Given America's affordable housing needs, it is critical that the FY 2011 budget fully fund existing rental housing assistance programs and preserve this valuable rental assistance. These include HUD's Section 8 Tenant Based Rental Assistance (Voucher) and Section 8 Project-Based Assistance programs as well as the rural Rental Assistance Program provided through the Department of Agriculture. These funds help millions of the lowest-income families, seniors, and persons with disabilities secure affordable housing.

The Section 8 housing voucher program is a public-private partnership that has successfully allowed millions of families to live where they choose in stable, safe housing. Over half of the 2 million families currently receiving voucher assistance are families with children. In the current economic crisis, these vouchers are critical to connecting families with stable housing. The President's FY 2011 budget requests increased funding over FY 2010 levels to maintain assistance in the voucher program, and we strongly support this goal. Please provide sufficient funding in the FY 2011 budget to support the voucher program and assistance to struggling families.

The Project-Based Rental Assistance program funds 1.3 million units of affordable housing. The Administration's budget proposes increased funding to preserve all project-based rental assistance in FY 2011. Insufficient funding of this program in previous years had the effect of eroding private owners' confidence in the federal government as a partner and threatening owners' long-term participation in the program. Like the Administration, we believe that the program must be fully funded to help preserve thousands of units of affordable housing in FY 2011 and in coming years.

In addition to maintaining our current levels of assistance, we must continue to preserve and create affordable housing to create permanent solutions to our housing crisis. According to the December 2009 U.S. Conference of Mayors Hunger and Homelessness Survey, 96 percent of officials surveyed said that they need additional subsidized housing in order to reduce homelessness. The housing voucher program is so oversubscribed that waiting lists in most communities are months or years long, or closed completely. Please include funding in your budget for additional Section 8 housing vouchers to help more very-low and extremely low-income families secure affordable housing on the private market.

Public Housing

Public Housing provides a home to 1.2 million low-income American families, over half of which are headed by the elderly or persons with disabilities, and many of which include children. The Public Housing Operating Fund supports daily public housing operations, including maintenance, security, and utilities. We ask you to provide full funding for housing agency operations as requested by the Administration in the FY 2011 Budget Resolution.

Despite the large historic federal investment in public housing, the federal government has not provided adequate funding to maintain this valuable affordable housing, threatening its long-term viability. The public housing inventory faces a tremendous backlog of capital repairs, currently estimated at $18 billion - $24 billion. *The American Recovery and Reinvestment Act (ARRA)* made an important downpayment on eliminating this backlog. *ARRA* provided $4 billion for major capital repairs and energy efficiency retrofits in public housing. We urge the Committee to continue to improve public housing by restoring funding for the Public Housing Capital Fund in the FY 2011 budget.

Homeless Assistance

Please provide $2.4 billion to fully fund HUD homeless programs authorized by the Homeless Emergency Assistance and Rapid Transition to Housing Act of 2009 (HEARTH), which Congress enacted last May. The HEARTH Act streamlined and consolidated multiple competitive funding streams into one unified program. In addition, it provides new opportunities and flexibility for communities to help families facing hard times avoid or quickly escape homelessness. As discussed above, the need for homeless assistance is both critical and clear.

Housing for Special Populations

We urge you to provide full funding for housing programs serving our nation's seniors, persons with disabilities, and persons with AIDS in the FY 2011 Resolution and restore the Administration's proposed funding cuts to the Section 202 Supportive Housing for the Elderly and Section 811 Housing for Persons with Disabilities programs. The Section 202 program creates and maintains affordable housing for the elderly. There are 10 seniors waiting for every available housing unit. 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 do not undermine our ability to meet this challenge. Please provide full funding for these activities for FY 2011.

Similarly, the Section 811 program creates critical affordable housing for persons with disabilities. Low income 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 person receiving SSI benefits is unable to afford housing without substantial additional income. Over 1.3 million very low-income, non-elderly persons with disabilities pay over half of their incomes for housing, and hundreds of thousands more are living in more restrictive, institutional environments than they would choose or are living with an aging caregiver. Please maintain full funding for Sec. 811 activities for FY 2011.

The Housing Assistance for Persons with AIDS (HOPWA) program provides critical housing support for citizens living with AIDS. Approximately 72 percent of people living with HIV/AIDS need some form of housing assistance. A growing body of research suggests that stable housing provides affected persons with both better health outcomes and reductions in risky behaviors. We urge you to continue our national commitment to HOPWA for FY 2011.

Response to the Foreclosure Crisis

The stability of the housing market and foreclosures will continue to be a pressing issue in FY 2011. We urge you to include strong funding for housing counseling, fraud prevention, and foreclosure mitigation activities to help families struggling with foreclosure in the FY 2011 budget. In addition, we encourage you to provide funding necessary to strengthen the Federal Housing Administration's oversight and processing of its lending programs. The FHA is now playing an important countercyclical role in the American mortgage market, but it must have to tools to do so responsibly.

HOME and Community Development Block Grant (CDBG) Programs

The FY 2011 budget must continue to support our state, local and tribal government partners. State and local governments are reeling from budget shortfalls and looking at further cutbacks in jobs, essential services, care for needy citizens, and job-producing contracting activities in the coming year. We urge you to include increased resources in the FY 2011 budget so that communities can continue to meet their urgent housing and community development needs through the HOME and CDBG programs, while addressing the current foreclosure and housing crisis.

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. These programs are also critical resources for communities seeking to stem foreclosures and to stabilize communities where foreclosures are clustered. Communities that have been stabilized over the last decade are now facing significant disinvestment as a result of the current foreclosure crisis, and HOME and CDBG should be fully funded to assist these communities so they do not fall further into distress. These funds make long-term improvements in our cities and towns across the country while supporting families and saving and creating jobs.

Native American and Hawaiian Housing Assistance

Please provide sufficient funding to maintain current services in Native American Housing Assistance and Native Hawaiian housing programs. Tribal and Native Hawaiian communities face ongoing challenges in poverty, unique difficulties in financing housing and community improvements, and needs for economic development. HUD offers both grants and loan guarantee programs to provide necessary capital and liquidity to create and improve housing in tribal areas. Increased funding for the Native American and Native Hawaiian Housing Block Grants will help alleviate the lack of adequate housing in these communities.

Safe and Healthy Homes

We also request your strong support for HUD's Office of Healthy Homes and Lead Hazard Control programs, which combat lead poisoning and other unhealthy housing conditions. Approximately 240,000 children under the age of six have blood lead levels high enough to cause irreversible neurological damage and learning disabilities. Demand for these programs far outstrips supply; in the most recent grant round, only 47% of eligible lead hazard control and 20% of healthy homes initiative applications could be funded. Please continue to support these important programs in FY 2011.

Place-Based Initiatives

We request that the Budget Resolution provide funding for the President's requests for place-based efforts to help communities tackle persistent poverty and create sustainable, livable communities for families at all income levels. Investments in initiatives such as Choice Neighborhoods and Sustainable Communities can help hard-pressed communities create or preserve affordable housing, provide additional transportation options for workers and families, connect lower-income people to job opportunities, improve the environment and conserve natural resources, and create healthier living environments. Today's investments in sustainable housing and communities will help prepare our communities and local economies to meet the needs and opportunities of the future.

Fair Housing

We urge you to fully fund fair housing activities at HUD. Predatory lending and mortgage rescue scams targeting minority communities are only the latest manifestation of discriminatory housing practices facing persons in protected classes. It is critical that HUD and private fair housing organizations around the country have the resources they need to adequately assist people and to enforce the Fair Housing Act.

Community Development Financial Institutions

We strongly support the Administration's FY 2011 request for $250 million for CDFI programs outside of the Capital Magnet Fund (discussed below). The Treasury Department's CDFI fund was established to serve the nation's most economically distressed communities by providing capital, credit, and other financial services that are typically unavailable from mainstream financial institutions. The loans and investments made by CDFIs have leveraged billions of dollars from the private sector in development activities in financially underserved and low-wealth communities. Demand for CDFI funding has grown as the nation weathers the turmoil in the credit markets; applications for CDFI funding increased 97 percent from FY 2009 to FY 2010. We urge the Budget Committee to provide sufficient funding to this important program to meet this growing demand.

Capital Magnet Fund

The Capital Magnet Fund (CMF) was created in the *Housing and Economic Recovery Act of 2008* along with the Housing Trust Fund. The CMF is a competitive program, run by the Community Development Financial Institutions Fund. As passed the CMF was to be financed with proceeds from Fannie Mae and Freddie Mac. Regrettably, those institutions are unable to make contributions to the CMF. We ask that the Budget Resolution provide for $350 million for the CMF for FY 2011.

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

Flood Insurance

The National Flood Insurance Program (NFIP) provides critical insurance coverage to over 5.6 million American properties. Until Hurricane Katrina and the other stoms of 2005, the program was largely self-sustaining, paying for most claims through the premium income generated in the program. The 2005 hurricanes resulted in over $16.6 billion in claims to the program. In response, Congress increased FEMA's borrowing authority, and FEMA now owes almost $20 billion to the U.S. Treasury. FEMA does not generate sufficient premium to pay the principal or the annual interest on this loan. The National Flood Insurance Reform and Modernization Act adopted by the Senate in the 110th Congress forgives this debt so that the flood insurance program can continue to insure millions of families. While the bill was not enacted last Congress, we intend to reintroduce and adopt flood insurance reform legislation in the 111th Congress. Please include a reserve fund for such legislation within the FY 2011 Budget resolution.

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

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 to reauthorize the federal surface transportation programs, including the transit program. This legislation expired at the end of FY09 and the Senate has passed an extension through December 31, 2010. Congress will have to enact authorizing legislation this year, which will determine the investment level for transit over the next six years.

Given that transit ridership is at its highest levels in over 50 years, our continued desire to reduce our dependence on foreign oil and greenhouse gas emissions, and a growing and aging population that increasingly demands improved public transit options, we believe that increased investment in transit is in our nation's long-term interest. Safe and efficient transit systems provide significant benefits both to transit riders and to others in the community, including employers, property owners, and automobile drivers. According to the Texas Transportation Institute, in 2007 Americans in urban areas spent 4.2 billion hours stuck in traffic, with an estimated cost to the nation of $87.2 billion in lost time and wasted fuel. TTI has estimated that without transit, the urban areas they studied would have suffered an additional 646 million hours of delay, which would have added more than $13.7 billion to the national cost of congestion.

In addition to the long-term benefits to our communities and our nation from investing in transit, these investments create critical, well-paying jobs in the short-term. In fact, a recent study of ARRA spending found that every billion dollars spent on public transportation created 16,419 job-months, twice as many jobs as were created by an equivalent investment in highways.

We hope that the Budget Resolution will include an increased level of transit funding that reflects the growing interest in public transportation, the need to create jobs, and the increasingly important role transit plays in addressing many of the challenges facing our nation.

Given the important role that multi-year commitment authority plays in allowing state and local planners to adequately plan and implement transit systems, we continue to oppose the elimination of the budgetary protections that the surface transportation program has benefited from since the enactment of TEA-21.

The Administration has requested legislation to increase the safety of the Nation's rail transit systems. The Committee is currently developing legislation based on the administration's proposal and urges your consideration of the $24 million requested by the administration to implement this program.

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. 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, as well as a planned attack on New York City's subway system last year. Despite this clear warning, our nation still is not properly prepared to face this threat, and a renewed commitment to invest in the security of our transit systems and their 14 million daily riders is crucial. We ask that you consider funding transit security at the level authorized in the legislation.

<u>National Infrastructure Bank</u>

The President's FY 11 budget requests $4 billion for the creation of a National Infrastructure Innovation and Finance Fund. The Committee agrees that there are opportunities to fund infrastructure projects of national and regional significance using innovative funding techniques and a competitive, merit-based process through a National Infrastructure Bank. The Committee intends to pursue legislation in this regard and hopes that the Budget Resolution will set aside funds to establish a National Infrastructure Bank.

Thank you for your consideration.

Sincerely,

Chris Dodd

Christopher Dodd

Chairman

United States Senate
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION
WASHINGTON, DC 20510-6125

March 5, 2010

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

Dear Chairman Conrad and Ranking Member Gregg,

This letter provides the views of the Senate Committee on Commerce, Science, and Transportation regarding the fiscal year 2011(FY 2011) Budget Resolution. These views are provided in response to your February 12, 2010 letter. Thank you for this opportunity to provide these views and recommendations regarding the FY 2011 budget resolution process.

Where applicable, I have tried to contrast our estimates with President Obama's FY 2011 Budget. As you know, the Commerce Committee has a broad jurisdiction covering several departments and agencies, so not all agencies may be reflect on this letter.

Department of Transportation

Federal Aviation Administration

In 2010, the Commerce Committee will continue to work on passing 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 modernization, aviation safety, small community air service, and congestion and delay in the air transportation system. Reauthorization legislation remains a high priority for the Senate 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 FAA 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 create the capacity required to meet the projected growth in air travel over the next twenty years. It is estimated that development and implementation of NextGen will cost the FAA approximately $20 billion dollars in the coming two decades.

Overall, the Administration has proposed total spending of $16.5 billion for the FAA in FY 2011, an increase of $275 million compared to the amount enacted in FY 2010. 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 to maintain the level of funding in the Airport Improvement Program (AIP) at $3.5 billion; this is the same level enacted in FY 2009 and FY 2010. The AIP provides funding for key infrastructure projects at larger commercial service airports that address congestion and delay, and serves as the primary source of infrastructure funding to smaller airports. The Committee recommends that AIP be allocated at $4.1 billion in FY 2011, with increases of $100 million dollars annually 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 $3.0 billion for the Facilities and Equipment (F&E) program is $34 million more than the level enacted in FY 2010, but approximately $130 million less than the $3.1 billion average authorization from FY 2003 through FY 2007 by Vision-100 (P.L. 108-176). This shortfall is less than what has been proposed in previous years. 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 F&E funding of $3.6 billion.

The Administration proposes funding the Research, Engineering, and Development (R,E&D) account at $190 million for FY 2011. This amount is the same as the amount enacted in FY 2010. The Committee recommends funding R,E&D at a level of at least $206 million for FY 2011.

EAS and SCASD Programs

The Administration's proposed Essential Air Service (EAS) budget for FY 2011 is $182 million, which is $18 million below the approximately $200 million appropriated for FY 2010. 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 has also 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 $200 million in FY 2011.

The Administration's proposal, consistent with budget proposals over the past several years, eliminates funding for the Small Community Air Service Development (SCASD) program. The program was funded at $8 million in FY 2009 and $6 million in FY 2010, with an authorized level of $35 million in both years. 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 foster economic development. The Committee recommends that the SCASD program be funded at $35 million in FY 2011.

Motor Carrier Safety Programs and the Federal Motor Carrier Safety Administration

The Federal Motor Carrier Safety Administration (FMCSA) is responsible for administering the Federal motor carrier safety programs for commercial trucks and buses. FMCSA's primary mission is to reduce crashes, injuries, and fatalities involving commercial motor vehicles by setting minimum safety standards and granting operational authority to commercial motor vehicles.

The Committee is developing legislation to reauthorize the Federal motor carrier safety programs, as the safety of the nation's trucks and buses remains a significant national concern. In 2008, 4,313 individuals were killed in crashes involving commercial trucks and buses and the number of truck-related injuries and fatalities has remained consistently high for the past 10 years, despite a Congressional directive to reduce motor carrier fatalities by 50 percent in that time span.

The Committee supports the President's budget proposal to increase funding above the FY 2010 baseline, adjusted for inflation, for these programs in FY 2011. The Committee also supports the $13 million request to implement the Comprehensive Safety Analysis 2010, the FMCSA's operating enforcement business model.

As the Committee develops its proposal for the reauthorization of these important safety programs, we will keep the Budget Committee abreast of our proposals and any expected impact they may have on the budget.

The Highway Trust Fund

The Committee has been supportive of the efforts to enact a long-term extension of the surface transportation programs that expired last September and to shore up the Highway Trust Fund (HTF) throughout the life of the extension. The HTF provides funds for the automobile and motor carrier safety programs within the Commerce Committee's jurisdiction and as the Committee works to reauthorize these programs this year we recognize that significant steps must be taken to reposition our transportation investment programs on firm financial footing. As Congress and the Administration work to address this challenge, the critical safety programs within the Committee's jurisdiction – which represent only a small portion of total HTF spending – should continue to be fully financed by the HTF and should be unaffected by extensions of the programs.

National Infrastructure Innovation and Finance Fund

As indicated by our comments relating to the Highway Trust Fund, the Committee is interested in new and creative options for funding surface transportation investments. The Committee is developing legislation to authorize a new freight mobility program to fund freight-related infrastructure investments of regional and national significance. To address the growing needs related to the efficient movement of freight throughout the nation and to maintain our country's global competitiveness, the Committee believes a dedicated program and commensurate funding must be provided to finance intermodal, port and maritime, rail, and highway projects that improve interstate commerce and provide significant public benefits.

The President's proposal for establishing a National Infrastructure Innovation and Finance Fund (Infrastructure Fund) that would provide financial assistance to priority projects of national and regional economic benefit might be such an option. The President's budget proposes $4 billion as part of a $25 billion commitment over five years to the Infrastructure Fund. The Committee is generally supportive of the Infrastructure Fund as revised from previous Infrastructure Bank proposals, pending a review of a more detailed description of the Infrastructure Fund's possible structure and functions. It is important to the Committee that any investments and financial assistance provided by the Infrastructure Fund for transportation infrastructure investments be directed by the Secretary of Transportation, pursuant to authorizations considered by our Committee, in order to ensure consistent and coordinated Federal transportation policy.

We will continue to keep the Budget Committee abreast of the Committee's continuing efforts to develop a new freight mobility program and any expected impact it may have on the budget.

National Highway Traffic Safety Administration

The President's FY 2011 Budget requests $877.6 million for NHTSA. If the Senate does not consider a multi-year transportation bill this Congress, there are two critical public safety issues that need immediate funding enhancements for FY2011:

- $125 million for NHTSA to hire additional vehicle defect inspectors and vehicle safety engineers and to modernize government crash test facilities. The Senate Commerce Committee held a hearing on March 2, 2010 that highlighted the severe deficiencies in vehicle safety enforcement by NHTSA regarding Toyota automobiles suspected of Sudden Unintended Acceleration. There are 56 reported deaths just from Toyota vehicles on this issue. Testimony indicated that a lack of staff resources at NHTSA might have contributed to the failure to identify the problems with Toyota at a much earlier date. The government facility in Liberty, Ohio, where NHTSA crash-tests vehicles, needs to be modernized. The facility also is partially owned by Honda, which creates the appearance and potential of conflict-of-interest issues for government safety regulators. In the aftermath of the recent Toyota recalls, a renewed commitment to vehicle safety should be a cornerstone of the FY2011 budget.

- $100 million for a new grant program to give states an incentive to ban texting while driving, limit cell phone use while driving, ban all cell phone use by teenagers while driving, and for police and state officials to collect crash data to better understand the impact and scope of distracted driving. The money also would be used by NHTSA to launch a national advertising and enforcement campaign against distracted driving, similar to the existing campaigns to reduce drunk driving and increase seat belt use. The Department of Transportation estimates that distracted driving kills 6,000 people a year.

The Committee believes it is essential that the President's FY 2011 budget request be enhanced to meet these two critical safety priorities.

Amtrak and Intercity and High-Speed Rail

The President's FY 2011 budget request totals $1.637 billion for Amtrak. In addition, the President's FY 2011 budget request includes $1 billion for high speed rail development, continuing his commitment to invest $1 billion per year for five years for high-speed rail.

The Committee recommends that Amtrak be funded at the authorized amounts under P.L. 110-432, the Passenger Rail Investment and Improvement Act of 2008 (PRIIA). This includes $592 million to help support Amtrak's operating budget, $1.025 billion for Amtrak's capital needs, and $288 million for Amtrak's debt service. The Committee also recommends providing $281 million to meet the Americans with Disabilities Act compliance requirement, consistent with the Administration's and Amtrak's request. Finally, the Committee supports the President's request for $1 billion to invest in intercity and high-speed passenger rail projects.

Railroad Safety and the Federal Railroad Administration

The Rail Safety Improvement Act of 2008 authorizes $266 million to the Federal Railroad Administration (FRA) to carry out railroad safety improvements and programs. The Committee recommends fully funding this agency at the authorized level, which includes $40 million for the FRA's safety research and development efforts. The Committee also recommends fully funding the $50 million authorized for rail safety technology grants, which are essential to defray the high costs of developing and deploying positive train control systems on certain railroad lines over which certain hazardous materials and passengers travel by the 2015 statutory deadline. The Committee also recommends funding the rail line relocation & improvement program at last year's level of $34.5 million.

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

The Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act) is set to expire at the end of FY 2010. The Administration's FY 2011 budget for PHMSA of $202 million is a 5 percent increase over the FY 2010 enacted budget of $193 million. The Committee supports the President's proposal.

The President's FY 2011 budget proposes $111 million for PHMSA's pipeline safety program, of which $19 million will be derived from the Oil Spill Liability Trust Fund and $92 million shall be derived from the Pipeline Safety Fund. The President also proposes transferring $1 million from the Operational Expenses account to fund the Information Grants to Communities so that the pipeline safety program would total budget would be $112 million. The Committee supports the President's proposal.

The President's FY 2011 budget proposes $40.4 million for PHMSA's hazardous materials safety program, which is a net increase of $2.4 million over the FY 2010 appropriated amount. This additional funding request will provide PHMSA the resources to implement its Special Permits and Approvals Action Plan intended to addresses challenges identified in 2009 by the Department's Office of Inspector General. The Committee supports the President's request.

The Committee plans to develop legislation to reauthorize the hazardous materials safety and the pipeline safety programs. As the Committee develops its proposal for the reauthorization of these important safety programs, we will keep the Budget Committee abreast of our proposals and any expected impact they may have on the budget.

Surface Transportation Board (STB)

The STB is an independent economic regulatory agency charged with resolving railroad-related rate and service disputes and reviewing proposed railroad mergers. Additionally, the agency has jurisdiction over certain trucking company, moving van, and non-contiguous ocean shipping company rate matters; certain intercity passenger bus company structure, financial, and operational matters; and rates and services of certain pipelines not regulated by the Federal Energy Regulatory Commission.

The STB is authorized to submit its own budget proposal to Congress. The STB's FY 2011 request is for $31.3 million, an increase of $2.2 million over the STB's FY 2010 enacted level. Part of this increased request would provide funding to continue a multi-year review of its Uniform Railroad Costing System (URCS), the STB's general purpose costing system. The President's budget proposes $26 million for the STB, which is a reduction of $3 million, or 10.3 percent, from the FY 2010 enacted level. The Committee believes that both of these requests are insufficient to permit the STB to timely accomplish the STB's current statutory duties.

In December 2009, the Committee ordered reported S. 2889, the Surface Transportation Board Reauthorization Act (STB Act), which is a five year reauthorization of the STB. In FY 2011, the bill would fund the STB at $44.7 million, which is necessary to fund the additional rulemaking and study requirements the Board would be required to undertake, additional personnel, and technology upgrades to improve the Board's efficiency. The Committee remains committed to enacting this legislation this year and requests that you include sufficient levels in the Budget to support its enactment.

U.S. Merchant Marine Academy (USMMA)

The United States Merchant Marine Academy in Kings Point, NY serves a critical role in the maritime industry by educating mariners to meet growing domestic and international crewing needs, including those of U.S. reserve fleets. The President's FY 2011 budget request includes $100 million for the Maritime Academy, of which $30.9 million is dedicated to capital improvements. The capital improvement funding request is a $15.9 million increase over FY 2010 enacted levels based on an independent analysis of Academy needs, including replacing deteriorating infrastructure, incorporating technology into the curriculum, and increasing the size of the Academy to 1200 students. The Committee supports fully funding the Merchant Marine Academy at the amounts requested in the President's Budget, including the capital improvement funding, to help support and sustain a strong merchant marine.

Department of Homeland Security

Coast Guard

The Committee recommends $10.28 billion for the Coast Guard in FY2011 to ensure the Service is fully capable of meeting its homeland security and traditional missions now and in the future. This request is $200 million above the President's FY 2011 budget request for the Coast Guard. The Administration's proposed budget will reduce the services and workforce of the Coast Guard and significantly impact the service's ability to conduct its missions.

The Coast Guard's budget requests $1.38 billion for Acquisition, Construction, and Infrastructure (AC&I), an amount which is $155.1 million or 10.1 percent below the FY2010 enacted level. This funding goes to the vital recapitalization needs of the service, from new fleet assets such as cutters, boats, and aircraft, to maintenance and repair of aging shore-side infrastructure, to repair and upkeep of aids to navigation. The Coast Guard faces over a $1 billion backlog in shore infrastructure projects alone, of which $367 million worth are "shovel-ready." Yet only $69 million is requested for FY 2011 for shore-side construction and upkeep of aids to navigation combined. If AC&I is funded only at the requested level in FY 2011, and at comparable levels in future years, funding will never catch up with AC&I needs—the backlog will only continue to grow.

The Operating Expenses (OE) request for the Coast Guard for FY 2011 is $6.65 billion, an $87.1 million increase, or 1.3 percent above the FY 2010 enacted level. This OE funding request is based in part on an anticipated $104 million in total savings from proposed asset reallocations, selected asset and unit decommissionings, and management and technology efficiencies. A major portion of these projected savings are a result of the decommissioning or retiring of four High Endurance Cutters, four HU-25 Falcon aircraft, five HH-65 Dolphin helicopters, and five Maritime Safety and Security Teams (MSSTs). MSSTs are quick response deployable anti-terrorism teams established under the Maritime Transportation Security Act of 2002 to enhance maritime domestic security. The MSST decommissionings are expected to save $18 million. However, the Committee questions whether these proposed MSST decommissionings are based on a thorough analysis.

The Coast Guard also projects a $14.5 million savings by insourcing professional services contracts to government service using 300 new full time government positions. However, the Coast Guard is unable to specify which contracts or programs will be cut or insourced, or where exactly the new civilians will be working. This lack of robust analysis causes the Committee to question the thoroughness and accuracy of all the cost savings represented in this budget. Additionally, this budget request eliminates 1,112 active duty positions (by attrition), which would make the Coast Guard the only armed force to lose active duty personnel in FY 2011.

This reduction in operational assets and workforce is ill-advised at a time when the service is experiencing increasing operational demands, coping with its aging fleet of aircraft, ships, and small boats, and dealing with the vast threat of terrorist activity surrounding our nation's ports and waterways. In Admiral Allen's final State of the Coast Guard Address as Commandant, he remarked that 10 of the 12 major cutters assigned to Haiti relief "suffered severe mission-affecting casualties." The Committee believes that the proposed cuts in the Coast Guard budget are imprudent and shortsighted. This budget proposal is inconsistent with the Administration's pledge that spending related to national security will not be affected by its planned spending freeze.

Transportation Security Administration

The FY 2011 request for TSA is $8.12 billion, an increase of $508.7 million over the FY 2010 enacted budget.

The Administration's proposal would fund several key security initiatives developed in response to the attempted Christmas Day terrorist attack of Delta Flight 253. An increase of $214.7 million is requested to procure and install 500 advanced imaging technology (AIT) machines at airport checkpoints to detect dangerous materials. An additional $218.9 million is requested for additional Transportation Security Officers (TSOs) and associated support costs to operate these additional AIT machines at airport screening checkpoints. Two other proposed security initiatives that address concerns arising out of the Christmas Day incident include $60 million to purchase 800 portable Explosives Trace Detection (ETD) machines and an increase of $20 million enhance the Transportation Security Administration's (TSA) Screening Passengers by Observation Techniques (SPOT) program.

The Committee recommends providing the entire $8.1 billion requested to provide the resources needed to meet these and other requirements established by Congress in P.L. 110-53. Despite supporting these over all funding levels, the Committee is disappointed that the Budget proposal reduces funding for surface transportation security staffing, operations, and support when several requirements from P.L. 110-53 remain unfinished. Attacks on surface transportation around the globe indicate that it remains a vulnerable part of our transportation system, and the requirements of P.L. 110-53 are intended to address those vulnerabilities.

Department of Commerce

National Institute of Standards and Technology

The President's FY 2011 budget proposal for the National Institute of Standards and Technology (NIST) is $918.9 million, which is $62.3 million (or 7.3 percent) above the FY 2010 enacted amount of $856.6 million. The request provides $584.5 million for the NIST Scientific and Technical Research and Services account (commonly known as the NIST Laboratories), which constitutes the bulk of the agency's research efforts. This amount is $69.5 million above the FY 2010 amount of $515 million. The funding would provide for several major new initiatives, including the development of scalable cybersecurity research for emerging technologies and threats; improving manufacturing and construction competitiveness for a clean energy economy; and enhancing measurement science and standards to support biologic drugs.

The request also provides $79.9 million for the Technology Innovation Program (TIP) and $129.7 million for the Manufacturing Extension Partnership (MEP). TIP provides grants to companies to help bridge the "valley of death" in funding and accelerates the development of innovative high-risk, high-reward technologies. This support is especially important in this difficult economic climate where there is limited venture capital funding to support small business innovation. The Committee is concerned that the requested increase for TIP would only provide funds for three new awards—hardly enough to meaningfully impact economic recovery. The America COMPETES Act, which the Senate overwhelmingly approved in 2007, called for continual support of $40 million in new TIP awards each year. At the same time, the President continues to follow through in his support for small- and medium-sized manufacturers with an MEP request that represents a 4% increase over the FY 2010 amount of $124.7 million. The MEP program is critical for the country to maintain its manufacturing capability and to maintain its global competitiveness. The Committee supports a larger allocation of the President's FY 2011 budget request for NIST in order to increase new TIP awards that may lead to innovative technological breakthroughs.

National Telecommunications and Information Administration (NTIA)

As the President recognized in his budget, a primary focus of the NTIA in FY2011 will be monitoring and administering the broadband related grant programs authorized by the American Recovery and Reinvestment Act of 2009 (ARRA). The ARRA provides for administrative funding related to the Broadband Technology Opportunities Program, and the Committee intends to continue its vigorous oversight of the program. With respect to other NTIA programs, the President has proposed defunding the Public Telecommunications Facilities Program (PTFP). The PTFP is a competitive grant program designed to assist public broadcasting stations, state and local governments, Indian Tribes, and nonprofit organizations bring educational and cultural programming to the public. The Committee supports the continued funding of this program.

National Oceanic and Atmospheric Administration

The Committee recommends a budget of $8 billion for the National Oceanic and Atmospheric Administration (NOAA) within Function 300, Natural Resources and the Environment. NOAA is the Federal agency responsible for managing coastal and marine resources to meet our Nation's economic, social, and environmental needs. The agency is also responsible for understanding and predicting changes in our Earth's environment, including forecasting weather and climate. NOAA's programs, products, and services affect more than one-third of the nation's Gross Domestic Product (GDP). Through daily weather forecasts, climate and ocean monitoring, marine resource and fisheries management, and support for marine commerce, NOAA's work has a daily impact on all Americans and is vital to the strength of our nation's and states' economies.

National Weather Service – Weather events affect our nation every day – from rainstorms, hurricanes, tornadoes, tsunamis and floods to droughts and heat waves. The National Weather Service (NWS) provides services for the United States, its territories, and our adjacent waters and ocean areas to protect life and property and enhance the nation's economy. Airlines, for example, rely on forecasts to best position their aircraft and adjust flight plans and schedules for public safety. The NWS' seasonal forecasts help city managers better manage the purchase of resources such as salt and sand for roads and sidewalks. Farmers rely on short-term and long-term forecasts to time plantings. River forecasts help communities protect their property by preparing for floods. Emergency managers and the Federal Emergency Management Agency rely on NWS services during natural disasters and emergency situations. Television weathercasters and private meteorology companies prepare their forecasts using NWS information. NWS also forecasts space weather. Storms in space have the potential to disrupt virtually every major public infrastructure systems, including transportation, power grids, telecommunications, and global positioning systems. Accurate space weather forecasting and monitoring is critical as we move into a period of greater solar activity. Clearly, insufficient funding for these and all NWS activities has real impact on the ground. The Committee recommends $1.16 billion for the NWS, an increase of $157 million above the President's FY2011 budget request. This increased funding is requested for: improved tsunami monitoring, forecasting, and modeling; improved aviation and space weather prediction and forecasting; and increased land-based weather observations. Without sufficient support for the infrastructure, computing capability, and people to integrate the information, NOAA's ability to provide weather services to the nation will be significantly weakened.

National Environmental Satellite, Data, and Information Service – The Committee supports the President's FY2011 budget request of $2.209 billion, an increase of $847.6 million, for the National Environmental Satellite, Data, and Information Services (NESDIS). NESDIS acquires and manages the nation's operational environmental satellite systems that support weather and climate forecasting through atmospheric observations and increased coastal and ocean monitoring capacities. NESDIS is also responsible for maintaining a national environmental database of atmospheric, geophysical, and oceanographic data. The budget request proposes a restructuring of the National Polar-orbiting Environmental Satellite System and provides an increase of $678.6 million for this purpose. This funding is critical to make sure that the United States continues to have uninterrupted environmental data for weather and climate monitoring. NOAA's next generation of environmental satellites will improve weather and climate forecast accuracy, our understanding of climate variability and change, as well as advance our ability to predict severe weather events. Costs associated with the acquisition and management of these satellites will increase over the upcoming fiscal years. An increase in funding for NOAA will make sure that these critical satellite missions are successful and avoid shifting the cost burden to the agency's non-satellite programs.

National Ocean Service – The Blue Economy is comprised of economic activities that emerge from our ocean, Great Lakes, and coastal resources. The oceans and coasts provide many goods and services to the nation. While large sections of our nation are removed geographically from the oceans, important coastal activities support the heartland's economies. Nearly 80 percent of U.S. imports and exports freight is transported through seaports. According to the National Ocean Economics Program (NOEP), the ocean economy compromised over 2.3 million jobs and contributed over $138 billion to the GDP of the United States. In 2007, counties in coastal watersheds were home to over 156 million people and 69 million jobs, which contributed $7.9 trillion to the nation's economy. NOAA's National Ocean Service (NOS) is responsible for the nation's coastal and ocean stewardship. To fulfill its mission, NOS observes, measures, assesses, maps, and manages coastal and ocean areas and it undertakes response and restoration activities. The Committee feels that the Administration's budget request for the National Ocean Service is inadequate, especially given the President's plan to implement a national policy for our oceans and coasts and implement marine spatial planning for the U.S. Exclusive Economic Zone, which is the largest in the world. The Committee recommends $1.223 billion for NOS. This funding level would support an increase of $200 million for the Navigation Services account for NOAA to address the tremendous backlog in hydrographic services, national height modernization, and coastal mapping activities. There are 10,000 square nautical miles (NM) of high priority navigational areas for NOAA to survey each year. Based on the current funding level, NOAA surveys less than 3,500 square NM per year, far less than is required to meet even the most urgent national needs and impairing safe navigation. In addition, NOS is responsible for providing a national system of coordinates for a number of scientific and engineering activities such as building construction, transportation and communications. Height modernization activities necessitate greater funding in order to provide these industries with essential data to support their projects. Increased funding would also support NOAA's ocean and coastal resource management accounts, including the following increases: $150 million for Ocean and Coastal Management and $203 million for Ocean Resource Conservation and Assessment.

National Marine Fisheries Service – NOAA's National Marine Fisheries Service (NMFS), working with regional fisheries management councils, is responsible for managing our marine fisheries. Fisheries are significant economic drivers, generating $185 billion in sales and supporting over two million jobs in 2006. Sound stewardship of our marine fisheries is critical to maintaining these industries for today's fishermen and future generations of Americans as well as for providing seafood as part of a healthy diet. We must invest in science that allows fisheries managers to make decisions leading to sustainable management of these industries. NMFS manages 531 fish stocks and stock complexes; however, due to funding constraints, the agency has surveyed only 216 stocks in the last five years. The Magnuson-Stevens Fishery Conservation and Management Act mandates that NOAA end overfishing by 2011 and implement bycatch reduction initiatives, fishery management requirements, and research programs. Increased funding is needed to improve fisheries research and management programs, including fishery management council operations, cooperative research programs that put fishermen and scientists together on the water, socio-economic research, development of new and experimental gear types to reduce bycatch, expanding stock assessments, and increasing enforcement and observer programs. The FY 2011 budget request maintains the nation's commitment to ending overfishing, in order to ensure the long-term health and sustainability of U.S. fisheries and the communities that depend on them. However, there is only a nominal funding increase for improving stock assessments and data collection. The Committee feels that this funding is clearly inadequate to support annual catch limit enforcement and accountability measures under Magnuson-Stevens Fishery Conservation and Management Act. The Committee recommends $1.73 billion for NMFS. This funding will provide an additional $200 million for stock assessments; an additional $400 million for habitat conservation and restoration; an additional $40 million for cooperative research; and an additional $100 million for protected resources.

Oceanic and Atmospheric Research – Sound science is the foundation for effective decision-making, and NOAA's Office of Oceanic and Atmospheric Research (OAR) provides the scientific foundation for understanding the complex systems that support our planet. OAR's work focuses on three major areas: weather and air quality, climate, and ocean and coastal resources. OAR's funding is the basis for future advances in preparing for, and responding to, weather and climate change as well as advancing technologies to improve understanding of our planet. Increased funding will support core NOAA research and also allow NOAA to expand important partnerships with the external research community and support important programs that take science out of the laboratory and into the community. One example is the National Sea Grant College Program, a partnership between NOAA, universities, coastal and Great Lakes states, industry, and over 300 partner institutions. Sea Grant produces a wide range of applied and basic marine scientific research, and provides education, training, and technical assistance programs that promote the understanding and management of ocean, coastal, and Great Lakes resources. Funding reductions are forcing Sea Grant programs across the country to reduce staff levels and research and outreach services. NOAA is one of the Federal government's premier science agencies. To continue our nation's commitment to supporting American competitiveness and strengthening science education as provided in America COMPETES, NOAA's science budget should be doubled. The Committee recommends $930 million for OAR.

Program Support – NOAA's Program Support provides planning, administrative, financial and infrastructure services essential to carrying out NOAA's mission. This account includes NOAA's Office of Education, Office of Marine and Aviation Operations (OMAO), and Facilities Management and Modernization. The Committee recommends $748.1 million for Program Support, which is $233 million above the President's budget request. This funding would support an increase of $33 million above the President's FY2011 budget for NOAA Education programs and restore funding to the $54 million FY2010 enacted level. This level of funding would also support an additional $100 million for fleet modernization and $50 million for fleet operations. An increase in funding will help NOAA modernize its fleet, address its deferred ship maintenance backlog and reduce lost Days-at-Sea and equipment failure by accelerating scheduled maintenance. In addition, the funding would support an additional $50 million for Facilities Management and Modernization for a total of $86 million. NOAA owns over 400 buildings valued at over $2.5 billion. These building support NOAA's scientific and operational missions and programs. NOAA needs additional funding for modernization of buildings, repair and restoration of deteriorating buildings and systems, and addressing safety/environmental conditions.

Independent Agencies

National Aeronautics and Space Administration

The President's FY 2011 budget proposal for the National Aeronautics and Space Administration (NASA) is $19.0 billion, a 1.5% increase over the FY 2010 enacted amount. The five-year budget projection would increase NASA's funding over the FY 2010 projection by $6 billion for an agency total of $100 billion over five years.

Most significant is the President's proposal to cancel the Constellation program. The Constellation program is the successor to the Space Shuttle program and would support human space exploration. With the cancellation of this program – and without a concrete proposal or vision to take humans beyond low Earth orbit (LEO) – the President effectively eliminates U.S. human spaceflight for the foreseeable future. The President's FY 2011 proposal instead refocuses NASA on research and technology development to increase the capabilities and decrease the costs of future robotic and human space missions. This renewed effort in technology development to improve capabilities may lead to more mature technology that would enable greater human exploration; however, the President has not provided a clear destination for NASA beyond LEO.

The Committee has safety concerns with the lack of a broader vision or destination to focus NASA's efforts. The Columbia Accident Investigation Board determined that a contributing factor to the Columbia accident in 2003 was the "lack of an agreed national vision for human space flight." Whether the destination is lunar, a near Earth object, Mars, or anything in between, the Committee believes that technology development with a clear purpose or goal will provide NASA guidance to focus its efforts. Anything short of this leaves history to repeat itself and sets the agency up for failure.

The FY 2011 proposal would extend operations of the International Space Station (ISS) to at least 2020. This will allow researchers to maximize this investment by conducting research in the unique microgravity environment. However, the plan for transporting astronauts and research projects to the ISS is unsettling. NASA is negotiating with Russian partners to purchase seats on their Soyuz spacecraft until a domestic commercial capability is available. The Committee understands that this situation is the result of a previous administration's decision to retire the Space Shuttle before a domestic solution was brought online. The FY 2011 proposal would invest significantly in the commercial sector to accomplish this, but the Committee is concerned whether the risky proposal to invest $6 billion over 5 years into the commercial sector will bear fruit in a timely manner.

The Committee supports the 11% budget increase for the Science Mission Directorate. This funding would provide for the robust development of Earth science research satellites, which will aid in the nation's effort to understand and monitor the effects of global climate change. The Committee also strongly supports the 14.3% increase for aeronautics research. The funding will support new and existing programs for environmentally responsible aviation, systems software for airspace control, and safe unmanned aircraft implementation. Aeronautics research is particularly important for this country since the aerospace industry is one of the few remaining manufacturing industries that continue to be a major U.S. exporter. At a time when jobs have never been more important, the aerospace industry employs 500,000 people, accounts for nearly 2% of the U.S. gross domestic product, and has the largest trade surplus of any manufacturing sector. Without continued investment, this leading position could be jeopardized, especially in light of Europe's commitment to overtake the United States by 2020. The FY 2011 proposal establishes a new Space Technology program to advance next-generation technologies. The Space Technology program focuses on fundamental research that could support NASA's different mission directorates.

Consumer Product Safety Commission (CPSC)

In FY 2011, the CPSC's work will shift from promulgating rules mandated by the Consumer Product Safety Act (CPSIA) to enforcing these rules, which will significantly increase the enforcement workload. To address the growing number of new rules promulgated under CPSIA, the CPSC requested $118.6 million for FY 2011. This requested amount is $3 million more than the $115.6 million level authorized by CPSIA. The Committee recognizes the difficulties and challenges of implementing and enforcing a new law with the magnitude and scope of CPSIA and, consequently, believes the Commission should be funded at the CPSC's requested level. In sum, given the importance of the agency's mission to protect consumers, as well as its increased workload in implementing and enforcing the safety standards and rules set forth in the CPSIA, the Committee recommends fully funding the Commission to the President's budget request of $118.6 million.

Federal Trade Commission (FTC)

The President's FY 2011 Budget requests $314 million for the FTC. This is an increase of $22.3 million over the FTC's FY 2010 enacted level and consists of: $12 million in mandatory salaries and contract expenses; $6.1 million to support 40 FTEs to protect consumers and maintain competition; and $4.2 million to cover the costs of acquiring and outfitting a new building. The Committee recommends fully funding the FTC to the President's request of $314 million

National Science Foundation

The President's FY 2011 budget proposal for the National Science Foundation (NSF) is $7.42 billion, or $551.89 million (8.2%) over the FY 2010 enacted amount. This proposal continues to build on the trend initiated by the America COMPETES Act and the President's own stated goal of doubling the funding for NSF. This increase would support important programs like the Graduate Research Fellowship (16.4% increase) and the Faculty Early Career Development (6.5% increase). The Committee strongly supports the proposal to increase the Experimental Program to Stimulate Competitive Research (EPSCoR) by 5% to $154.4 million. EPSCoR is essential to stimulating research in geographic areas that are underrepresented in NSF activities. The Committee also supports the various interagency activities at NSF, particularly the U.S. Global Change Research Program (GCRP) and the Networking and Information Technology Research and Development program (NITRD). NSF's funding for GCRP activities would increase 16% to fund research on climate variability in order to identify, understand, and evaluate policies to respond to climate change. NITRD supports research in large-scale networking and cybersecurity and information assurance. The Committee supports the full allocation of the President's FY 2011 budget request for NSF.

Federal Communications Commission

The President has proposed $352.5 million in funding for the Federal Communications Commission (FCC) for FY2011. As part of the request, the President seeks to improve the FCC's information technology (IT) systems, increase funding for staffing as well as cost of living increases, and provide funding related to implementation of the National Broadband Plan. Specifically, the President proposes $4.3 million in funding for IT-related initiatives; $2.4 million for spectrum inventory and broadband mapping data systems; and $1.5 million for creation of an Emergency Response Interoperability Center to ensure the operability and interoperability of public safety wireless broadband communications. The Committee supports those increases.

The FY 2011 budget proposal includes several proposals related to spectrum policy that are designed to raise revenue. These proposals are similar to initiatives sought by the former Administration that the Budget Committee has rejected in the past. The Commerce Committee continues to have significant concerns regarding the fund raising proposals.

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

Second, the budget proposes giving the FCC new authority to impose spectrum user fees on spectrum that is not auctioned. The budget estimates fee collections totaling $4.8 billion through 2020. As a result, prices for consumer services may increase as companies transfer the higher operating expenses. Any fee increases should be examined carefully to assess the impact on Americans during these difficult economic times.

Corporation for Public Broadcasting (CPB)

The President has proposed a budget of $460 million in advanced appropriations for FY2013 for the CPB. Congress provides advanced appropriations for the CPB and in the FY 2010 Omnibus appropriated $445 million for FY 2012. In addition, the President has proposed $36 million in FY2011 for digital conversion programs, which support efforts by public television and radio stations for digital equipment needs, digital content and services.

Sincerely,

Jay Rockefeller

John D. Rockefeller IV

Chairman

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March 5, 2010

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 12 for the views and estimates of the Committee on Energy and Natural Resources on the President's 2011 budget.

The Budget Message of the President states that because "the nation that leads in clean energy will be the nation that leads the world, the Budget creates the incentives to build a new clean energy economy—from new loan guarantees that will encourage a range of renewable energy efforts and new nuclear power plants to spurring the development of clean energy on Federal lands." We share the President's belief in the importance of developing clean energy technology and resources and generally support the budget levels and initiatives proposed in the President's 2011 budget that fall within the Committee's jurisdiction.

The Department of Energy

The President's budget proposes $28.4 billion for the Department of Energy "to support scientific innovation, develop clean and secure energy technologies, maintain national security and reduce environmental risk." More specifically, the President's budget proposes $5.1 billion for basic science research, $2.3 billion for applied energy research and development, and $300 million for "high-risk, high-payoff transformational research and development projects" funded through the recently established Advanced Research Projects Agency–Energy. In addition, the President proposes an additional $36 billion in loan guarantee authority for advanced nuclear power plants and an additional $500 million in credit subsidies to support $3-5 billion in loan guarantees for innovative energy efficiency and renewable energy projects. We generally support these requests.

The Department of the Interior and the Forest Service

The President's budget requests an appropriation of slightly over $12 billion for the Department of the Interior in fiscal year 2011, which together with nearly $6 billion in permanent appropriations, will result in nearly $18 billion in budget authority for 2011. The President's request is nearly $2 billion less than the Department of the Interior's 2010 budget, and it is partially offset by nearly $14 billion in receipts from oil and gas leasing on the outer continental shelf, onshore mineral leasing, and other receipts.

Among other things, the President's budget proposes to increase funding for the Land and Water Conservation Fund by $106 million; increase funding for the development of renewable energy sources on public land; fully fund the 10-year average cost of wildland fire suppression operations; increase funding for water resources infrastructure and science by $36.4 million; and attempt to obtain a larger return on public mineral resources through royalty increases and new user fees.

The President's proposed increase in funding for the Land and Water Conservation Fund still falls far short of the $900 million deposited into the Fund annually, mostly from outer continental shelf oil and gas receipts. Many members of the Committee remain concerned that the Department of the Interior continues to use the Fund for purposes other than those authorized by the Land and Water Conservation Fund Act, while other members would support use of the Fund to manage public lands and eliminate the maintenance backlog on lands already entrusted to the federal land management agencies.

The President is proposing a three-tier system for funding wildland fire suppression activities for both the Forest Service and the Department of the Interior. For both agencies, the first tier is the annual appropriations account that funds the predictable firefighting costs associated with initial response. The second tier is the new statutory reserve fund, known as the FLAME Fund, established by the FLAME Act of 2009 (title V of the Department of the Interior Appropriations Act, 2010, Public Law 111-88), to cover the cost of suppressing large wildfires and to serve as a reserve in case the agencies' annual suppression account is exhausted. In addition to these two tiers, the President is proposing a new third tier, a separate "contingency reserve" fund for each agency in case the first two tiers are exhausted. We believe that the third layer is unnecessary and that the funds proposed by the President for the new "contingency reserve" accounts should be deposited in the statutory FLAME Fund accounts.

<u>Legislative Initiatives and Reserve Funds</u>

The Committee has reported or is actively considering legislation that complements or supports many of the President's budget initiatives. Last July, the Committee reported the American Clean Energy Leadership Act of 2009, S. 1462, to promote clean energy technology development, energy efficiency, energy security, and energy innovation and workforce development. The bill has broad bipartisan support and is currently pending on the Senate Calendar. The Committee is now considering additional legislative initiatives to further the purposes of S. 1462. In addition, the Committee is considering legislation to fully fund the Land and Water Conservation Fund, establish a dedicated fund to fight wildfires, and fund western water settlements and rural water projects.

Accordingly, we respectfully request that the concurrent resolution on the budget for fiscal year 2011 include deficit-neutral reserve funds for clean energy and the environment and for payments to counties similar to the reserve funds in sections 302 and 310 of S. Con. Res. 13, the concurrent resolution on the budget for fiscal year 2010.

In addition, the President's budget assumes enactment of legislation to extend the Compact of Free Association with the Republic of Palau, which will otherwise expire at the end of fiscal year 2010, through fiscal year 2024. The President's legislative proposal will provide $20.8 million in direct spending in fiscal year 2011 and a total of $250 million in direct spending through fiscal year 2024. We respectfully request an additional reserve fund for this purpose.

<u>Budget Assumptions</u>

As noted in our views and estimates last year, we believe that enactment of many of the worthwhile energy initiatives proposed by the President and reported or being considered by the Committee would have positive budgetary impacts because they would reduce consumers' energy bills, create jobs, increase energy efficiency, and facilitate the development of clean energy technologies. Current budget assumptions, however, tend to overstate the financial risk and cost of developing and deploying new energy technologies and understate their long-term economic benefits. These unrealistic assumptions pose an insurmountable barrier to legislative efforts to extend from ten to thirty years the permissible term of power purchase agreements used by federal agencies to acquire renewable energy and to pay the credit subsidy cost of loan guarantees for innovative energy technologies under title XVII of the Energy Policy Act of 2005. We believe that current budget assumptions must be revised if the clean energy economy outlined in the President's budget is to become a legislative reality.

Yucca Mountain

Finally, we note that while the Administration has terminated funding for the Yucca Mountain nuclear waste repository, the President's budget still assumes collection of $779 million in fees from utilities for this program. We respectfully suggest that the Budget Committee review this assumption and refer to the testimony of the Congressional Budget Office and the Department of Justice before the House Budget Committee on July 16, 2009, on the potential liability the Government may incur as a result of terminating the repository program.

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

Sincerely,

Jeff Bingaman
Chairman

Lisa Murkowski
Ranking Member

United States Senate

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

March 5, 2010

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 12, 2010, we present the following views and estimates for certain programs under the jurisdiction of the Committee on Environment and Public Works. As in previous years, a brief summary of the Committee's legislative initiatives is also included.

The dollar levels represented in these views and estimates are the fiscal year (FY) 2010 enacted levels compared to the President's FY 2011 budget request released in February 2010.

Legislative Initiatives:

The Committee on Environment and Public Works intends to move forward with several legislative initiatives this year. With respect to the Committee's legislative agenda, the Committee anticipates moving forward with comprehensive transportation legislation that will authorize Federal highway, transit and highway safety programs and includes direct spending. In addition, the Committee has reported legislation to reauthorize and increase funding levels for the Clean Water and Safe Drinking Water State Revolving Funds, which has direct spending impacts. The Committee also anticipates action on a Water Resources Development Act; legislation that improves EPA programs to protect and restore large aquatic ecosystems; legislation that reforms the Toxic Substances Control Act, the law enacted in 1976 that regulates the manufacturing, processing and distribution of chemical substances and mixtures in our country; as well as several other pieces of legislation.

1. Environmental Protection Agency

The Committee supports EPA efforts to protect public health, increase job opportunities and promote community revitalization by assessing, cleaning up and redeveloping brownfields. The Committee supports EPA's emphasis on programs for maintaining and enhancing drinking water and wastewater infrastructure.

President's Requested Funding for the Environmental Protection Agency

Some of EPA's programs support critical public health and environmental protections, including programs that address clean drinking water, clean air, and water quality. The President proposes to fund the EPA at $10.02 billion, which is a 3 percent decrease from the $10.3 billion Congress enacted in FY 2010. The Minority believes this request is irresponsible given both the EPA's 36 percent growth in funding from FY 2008 to 2009 and the federal government's $1.3 trillion estimated budget deficit for this year. It would be more responsible to make more meaningful cuts in EPA's overall budget as a part of an overall effort to return aggregate non-security spending to FY 2008 levels. However, the EPA does have programs, highlighted in this letter, that merit priority attention.

State Revolving Loan Funds

The President's budget request includes $3.3 billion for grants to States for capitalization of Clean Water State Revolving Loan Funds (CWSRFs) and Drinking Water State Revolving Loan Funds (DWSRFs). This is a $200 million reduction from the FY 2010 level. We urge that the budget resolution support robust funding for these important and successful programs. The Committee has reported legislation (S. 1005) that would authorize at least $5.2 billion for these two programs in FY 2011 ($3.2 billion for the CWSRF and $2 billion for the DWSRF).

The national need for investment in water and wastewater infrastructure through the CWSRF and the DWSRF continues to far outpace the amount of funding that is available from all levels of government. The most recent estimate of wastewater needs is EPA's 2004 Clean Watersheds Needs Survey, which identified $202.5 billion in projects for publicly owned treatment works. EPA estimates the need for drinking water capital investment nation-wide is $334.8 billion for the 20-year period from 2007 - 2027.

Investment in these programs helps communities meet public health standards and reduce pollution into lakes, rivers and streams while also creating jobs. An independent economic analysis commissioned by the National Association of Utility Contractors and completed in July 2009, estimates that water infrastructure spending creates up to 26,669 jobs per $1 billion of investment.

States have continually demonstrated the ability to quickly invest this funding. The Environmental Council of States, which represents many of the state agencies responsible for administering the state revolving funds, surveyed its members regarding near-term wastewater and drinking water infrastructure needs and identified $56.02 billion ($33.53 billion for wastewater and $22.49 billion for drinking water) in funding needs beyond what the states have received through the American Recovery and Reinvestment Act and the FY 2009 and FY 2010 appropriations bills.

Other Water Cleanup Funding

The President's budget requests $63 million for FY 2011 for efforts to implement the President's Executive Order to protect and restore the Chesapeake Bay. It also builds on existing efforts to address Hypoxia in the Gulf of Mexico by targeting over $12 million to a new program in the Mississippi River Basin, and it proposes $475 million for restoration of the Great Lakes. The Minority supports protecting important water bodies, but we believe that given current fiscal conditions, it is inappropriate to fund new regional initiatives when funding needs are unmet in statutory programs aimed at point-source reduction and improving water infrastructure.

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

Cleaning up Superfund Toxic Waste Sites

The President's budget provides the Superfund program with $1.29 billion. This is a $13.4 million reduction from FY 2010 enacted levels. The overall Superfund request includes a $3.4 million requested increase in enforcement funding. According to EPA, each dollar of funding for enforcement activities returns $8 in resources for cleanups. In FY 2011 the federal government should continue to underscore its commitment to restore the pace of long-term cleanups at toxic waste sites listed under the Superfund program. In particular, the Committee is interested in which actions the Agency intends to take to increase the annual pace of cleanups.

The nation has 1,279 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 84 Superfund sites, and EPA has insufficient information to determine whether human exposure is under control at more than 177 other sites. Over the last eight years, the Superfund program's pace of cleanups has declined by roughly 50 percent compared to previous years, from about 80 cleanups per year to about 40 – with EPA only cleaning up 24 sites in 2007, 30 sites in 2008, 20 sites in 2009, and an anticipated 22 sites in 2010 and 25 sites in 2011.

The Minority strongly objects to the Administration's FY 2011 proposal to reinstate the Superfund tax. The Minority does not believe this is a targeted tax on polluters, as the Administration claims, but rather an indiscriminate tax on business. The tax would fall on businesses already paying for their own cleanups, and it would force businesses that have never created a superfund site to pay for cleanup of sites they did not contaminate.

Cleaning up Brownfields

In 2001, Congress enacted the nation's brownfields cleanup program, authorizing $200 million annually for site assessment and cleanup. Brownfields are areas where contamination issues inhibit redevelopment efforts. The federal brownfields program is one of EPA's most popular and successful programs. The FY 2011 budget requests a more than $41 million increase in funding for the Brownfields program. Even with this increase in funding levels, EPA may not be able to fund all eligible requests.

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 611,000 USTs federally-regulated USTs that store petroleum and hazardous substances that can contaminate the environment and harm human health. There is a national backlog of more than 100,000 needed cleanups. The Government Accountability Office estimates that it would cost roughly $12 billion to cleanup all leaking tanks, as of 2005.

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

Global Warming

The Minority has strong concerns with the direction of Office of Air and Radiation, in particular the new funding requests for climate change programs. The total air and climate budget request is $1.193 billion—and of this amount, $169 million is for climate change related programs. Specifically, there is a request for roughly $43 million in new funding for regulations to control carbon dioxide and other greenhouse gases, including $25 million for states to implement and update their air permitting programs for greenhouse gases. The Minority strongly believes the Clean Air Act should not be used to regulate greenhouse gases. Instead, the Office of Air and Radiation should eliminate this request and refocus its spending on implementing the goals of the Clean Air Act: achieving healthier indoor air; healthier outdoor air; radiation issues; and enhancing science and research, in particular transparency and openness related to science and research.

Selected Other EPA Programs

The Committee supports EPA's science and technology programs that promote clean industries. The Agency has many top laboratories, including the National Vehicle and Fuel Emissions Laboratory. The Committee believes that the federal government should intensify its efforts to expand EPA's existing scientific and technological capabilities to develop, apply, and help commercialize a new generation of vitally-needed clean technologies.

Air Quality

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

The Committee supports a strong federal commitment to state and local air quality grant programs that protect public health from dangerous levels of air pollution. These include program implementation, monitoring for criteria and other pollutants, and the development of new State Implementation Plans.

2. Department of Transportation, Federal Highways Administration

The President's budget request includes $42.1 billion to fund our nation's highways and bridges, which is slightly less than the FY 2010 enacted level of $42.8 billion. As part of this request, the Administration requests a transfer of $200 million in highway funding to a competitive livability program that will assist States, local, and Tribal governments in integrating transportation, land use, and conservation of natural resources. The Department of Transportation proposes to coordinate with the Housing and Urban Development Administration in implementing this program. This program would be a new policy, and as such, should be implemented only subject to authorization in a comprehensive, multi-year reauthorization bill.

The President's request supports an extension of the current SAFETEA-LU authorization through March 2011, to give the Administration and Congress time to complete and fund a long-term, transformational surface transportation bill. The Committee supports this approach and in July of 2009 approved an extension of SAFETEA-LU through March 31, 2011. More recently, the Senate adopted a bill drafted by this Committee that would extend SAFETEA-LU through December 31, 2010.

The Committee intends to reauthorize the $286.4 billion transportation bill, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users. The vast transportation needs demand a robust funding level for the next multi-year surface transportation bill. As such the Committee requests a reserve fund to accommodate increases in the highway program. In addition, the Committee would like the Contract Authority for the highway program to build upon the FY 2009 levels prior to any rescissions.

Healthy investment in highway, transit and highway safety programs, including environmental improvements, will improve America's quality of life and will help meet the needs of our growing economy. Americans and businesses benefit every day from transportation investments through shortened travel times, increased productivity, and improved safety. Infrastructure is critical to America's quality of life. Infrastructure investments enhance the productivity of business and individuals. Failing to invest creates the disruptions that waste money, time, and fuel and undermine our competitiveness. Inefficient transportation is a drag on the economy.

According to the Texas Transportation Institute, traffic congestion continues to worsen in American cities of all sizes, creating an $87.2 billion annual drain on the U.S. economy in the form of 4.2 billion lost hours and 2.8 billion gallons of wasted fuel. The report of the National Surface Transportation Policy and Revenue Study Commission states that we need to invest a minimum of $225 billion annually over the next 50 years at all levels of government to bring our existing surface transportation infrastructure to a good state of repair and to support our growing economy. Combined, our states, our cities and the federal government are currently spending 40% less than that amount.

Furthermore, with our economy in recession, this is a critically important time to invest in our nation's infrastructure. The Department of Transportation estimates that every billion dollars of Federal transportation investments, which are matched by state and local funds, creates and sustains approximately 34,700 jobs. The American Recovery and Reinvestment Act provided a total of $48 billion for transportation improvements, which included $27.5 billion for the highway program. These funds are currently being used to improve our nation's infrastructure and are creating jobs. We need continued investment to maintain these jobs, and to make additional, needed improvements to our transportation infrastructure.

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

The President's budget request for the civil works program of the Army Corps of Engineers is $4.9 billion. The proposed funding level represents a decrease of $506 million from the FY 2010 enacted level of $5.45 billion. These levels do not reflect the full amount that the Corps could effectively invest. The Committee supports more robust funding for the Corps of Engineers at a level consistent with the Corps capability.

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

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

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

The President's budget proposes a change in how the Inland Waterways Trust Fund (IWTF) is funded. Specific legislation has not yet been provided. A cooperative effort involving the Inland Waterways Users Board and the Army Corps of Engineers has been ongoing for months to develop recommendations for ensuring the long-term viability of the inland waterways system. The Committee supports increased investment in the inland waterways system, and looks forward to reviewing a detailed proposal once available. The Committee urges the Administration to submit a detailed proposal for consideration as soon as possible.

4. Economic Development Administration

The President's budget request for the Economic Development Administration is $246 million for FY 2011, which is a decrease of $9 million from the FY 2010 enacted levels. This request is also significantly less than the level approved by this Committee in the Economic Development Revitalization Act of 2009.

Of the $246 million, the President has requested that $75 million be used for regional planning and matching grants to support the creation of regional innovation clusters that leverage the existing strengths of particular areas and populations to generate jobs and economic growth. The President also included $16 million to continue an unauthorized program called the global climate change initiative. The Minority strongly objects to the funding of this program on both programmatic and procedural grounds. Particularly since the Administration has announced that the types of investments under this program will receive funding priority within all agency programs, this unauthorized earmark should not be continued.

The 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 EDA's current authorization expired at the end of FY 2008. The Committee approved a new authorization of EDA in November 2009 and is working to enact that legislation this year. The Committee supports robust funding of EDA in the FY 2011 budget.

5. Department of the Interior

The budget proposes $1.6 billion for the United States Fish and Wildlife Service (FWS), nearly level funding compared to FY 2010 enacted levels. The Committee urges a strong federal commitment in several FWS budget areas in FY 2011.

The Fish and Wildlife Service manages over 150 million acres of land and waters. The backlog of deferred maintenance and construction at the National Wildlife Refuges and National Fish Hatcheries currently totals more than $2 billion. The budget includes a decrease of $960,000 from the FY 2010 enacted level for both operations and maintenance at refuges and national fish hatcheries as well as a $13.7 million decrease for construction and rehabilitation. The budget also proposes decreases of $1.5 million for the Multinational Species Conservation Funds and $363,000 for the Partners for Fish and Wildlife program. Other important Fish and Wildlife Service programs, such as the Endangered Species Program and land acquisition program received increases. The Committee believes a robust level of funding is needed in the FY 2011 budget for these important activities.

6. General Services Administration Public Buildings Service

The President's budget request for the Federal Buildings Fund is $291 million, in addition to the revenues and collections deposited in the Fund. This is less than the $537.9 million requested by the President for FY 2010 and enacted in the FY 2010 Consolidated Appropriations Act. But, according to GSA, this funding will support a capital investment program of $1.38 billion, including $676 for new construction and acquisition, and $703 million for repairs and alterations, which is more than the $1.15 billion that the FY 2010 budget was expected to support.

The Committee continues to be concerned by GSA's dependence on long-term leases to meet their needs. We encourage the FY 2011 budget to place emphasis on meeting needs through GSA ownership where appropriate.

The Committee is also concerned about the backlog of scheduled courthouse construction projects on the Judicial Conference's five-year plan; many of which are ready for construction. The Committee recommends that the five year plan, as established and approved by the Judicial Conference, be taken into account for funding. The Judicial Conference estimates that approximately $447.9 million in additional funding should be made available in FY 2011.

7. Nuclear Regulatory Commission

We believe nuclear energy makes a vital contribution to our nation's energy mix. The industry's effort to develop new plants has created over 15,000 jobs to date. In fact, one challenge confronting this revival is the ability to find enough skilled craft, engineers, operators, and regulators to support the industry's growth. The NRC's Integrated University program has made a crucial contribution toward addressing this challenge. The program helps provide scholarships and fellowships trade schools, community colleges, and universities supporting approximately 350 students at 70 institutions in 2009 alone. These institutions were located in 29 states, the District, and Puerto Rico, and were needs based, helping to ensure the lower and middle class had access to education in a field that will lead to high paying careers. Cutting this program doesn't make sense—especially at a time when Congress should be facilitating job creation.

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 2011.

Sincerely,

James M. Inhofe
Ranking Member

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

March 5, 2010

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

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

Dear Kent and Judd:

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

Revenues

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

Middle Class Tax Relief: The Economic Growth & Tax Relief Reconciliation Act of 2001 and the Jobs and Growth Tax Relief Reconciliation Act of 2003, contained a number of tax cuts for individuals, including lower income tax, capital gains and dividend rates, marriage penalty relief, and expansions to various family credits. These tax cuts expire at the end of 2010, creating uncertainty for millions of taxpayers. The Committee will work to make many of these tax cuts permanent.

Alternative Minimum Tax ("AMT") Relief: This year, Congress will have to pass an AMT patch for 2010. As of January 1, 2010, the exemption levels for the AMT will revert back to the levels in effect before 2001. Those exemption levels are $45,000 for married couples filing jointly, $33,750 for individuals. In addition, under current law, certain non-refundable income tax credits are subject to the AMT. The Finance Committee is committed to passing the AMT patch by increasing the exemption and allowing certain non-refundable income tax credits against the AMT.

Cap-and-Trade: The President's budget proposes the establishment of legislation that will reduce greenhouse gas emissions in the range of 17 percent in 2020 and more than 80 percent by 2050. The program is intended to be deficit neutral, with proceeds from emissions allowances used to compensate vulnerable families, communities, and businesses during the transition to a clean energy economy. Receipts will also be dedicated to investment in clear energy technologies, and to help facilitate adaptation to the impacts of climate change, both domestically and in developing countries.

Corporate and International Tax Issues: The Committee continues to look for tax compliance gaps related to domestic and offshore transactions involving both inbound and outbound investments. In an increasingly complex global economy, the international element of the "tax gap" deserves a greater focus. The Committee intends to enact the "Foreign Account Tax Compliance Act" to prevent US taxpayers from hiding funds in offshore accounts. The Committee also continues to explore and analyze tax issues related to alternative investments in the U.S. economy, tools like enhanced information reporting to improve tax compliance, and policy issues related to their operations.

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

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

Expiring Tax Provisions: In 2008, Congress passed a package of tax provisions that had expired at the end 2007, extending the provisions through the end of 2009. An extension of these tax provisions should be enacted in a timely manner, and extended through 2010.

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

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

IRS Budget: The Administration has requested $13.3 billion for the IRS's FY 2011 budget. This amount is $1.8 billion greater than the appropriation in the FY 2009 Omnibus bill. The FY 2011 increase includes funding for a robust portfolio of IRS international tax compliance initiatives and sustains efforts to reduce the annual $345 tax gap. We support a balanced approach to tax administration. We support a strong enforcement budget together with sufficient funding for taxpayer services and modernizing IRS information technology. Helping taxpayers understand their tax responsibilities up-front promotes higher rates of voluntary tax compliance, reducing the need for subsequent enforcement action. Critical IRS computer systems were built in the 1960s and must be upgraded to keep pace with an increasingly complex and global tax regime, as well as to facilitate more efficient analysis of tax return data and detection of scams and schemes.

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

The Finance Committee will continue to explore options and to develop legislation to enhance tax administration, improve tax compliance, and reduce the tax gap, both domestic and international. The Committee will also exercise robust oversight and ongoing support of Treasury and the IRS to ensure implementation of the IRS preparer strategy, recently enacted credit card reporting and basis reporting, and offshore initiatives.

The President's Budget for FY 2011 proposes that Congress allow for upward spending adjustments to the 302(a) appropriation ceilings included in the Budget Resolution. These adjustments can be used only for certain program integrity activities, and each adjustment is only allowed to occur if the base amount for that activity is fully appropriated. The President's Budget proposal for $13.3 billion for IRS for FY 2011 includes both a base amount of $7.1 Billion for tax enforcement (subject to update), and an additional $890 million appropriations ceiling adjustment" for this same purpose. We recommend that the Budget Resolution include both the base amount and the adjustment mechanism. The President's Budget includes the savings from this program integrity provision in its estimates of the deficits it proposes for each year. We recommend that the Budget Resolution do the same. The President's Budget also proposes that significant funding be dedicated for these activities in each of the next five years. We recommend that the Budget Resolution follow suit.

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

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

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

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

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

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

Score-keeping of Payment Integrity Provisions

The President's Budget includes a proposal to provide for an additional $890 million of funds for IRS tax enforcement for FY 2011.We 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.

Health

Health Care Reform

Improving the nation's health care system is critical to the long-term economic stability of our country. In the last eight years, average wages have increased only 20 percent while health insurance premiums have tripled. The Congressional Budget Office assumes that under current law the average cost of health insurance for a family could reach $13,100 in 2016. Consumers continue to face unprecedented premium increases in 2010 with premiums for individuals far outpacing inflation, and in some states rising by almost 40%.

Health care costs threaten the strength and competitiveness of American businesses. According to CBO, the rate of growth of spending on health care is the single greatest threat to budget stability over the long run, and such spending will have to be addressed in order for the fiscal situation to be sustainable in future decades. Together, outlays for Medicare and Medicaid currently account for about five percent of GDP. By 2019, spending for those programs combined is projected to total about 6.3 percent of GDP. By 2050, it could reach 12 percent.

Improving the U.S. health care system remains a critical element of any plan to address the national debt and federal deficits. While other legislative efforts to reform health care continue, the Committee is hopeful that the budget resolution will recognize, and provide flexibility for continued efforts to increase efficiency and improve the quality of our healthcare system through the establishment of a reserve fund.

Delivery System Reform

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

Medicare payment systems have, at best, a neutral impact and, at worst, a harmful one on quality. They promote silos and fragmentation in the delivery of health care and a lack of coordination and accountability across the episode of care. For most 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 all Medicare providers. Also, financial incentives for all Medicare providers must be aligned.

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

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

Prescription Drug Benefit

The Medicare prescription drug benefit has brought prescription drug coverage to millions of beneficiaries. According to data from CMS, over 50 percent of Medicare beneficiaries now receive drug coverage or subsidies for drug coverage through the Medicare program. Over 90 percent of Medicare beneficiaries now have some form of coverage to help purchase needed medicines. The Committee will continue to monitor the Part D program to ensure that it continues to meet the legislative intent in delivering outpatient drug benefits to Medicare beneficiaries. As part of this effort, the Committee will also monitor the low-income subsidy (LIS) program that provides added financial assistance to beneficiaries with low income. The LIS program is a cornerstone of the Medicare prescription drug benefit. However, the number of LIS plans has declined each year since 2006. In some states, only one or two LIS plans are now available. As a result, CMS has had to reassign millions of dual-eligibles to new drug plans each year in order to ensure they receive the LIS benefit that Congress intended. The Finance Committee will closely monitor these trends and encourage CMS to use its administrative authority as necessary to minimize disruptions for dual-eligibles. In addition, the Committee will also consider investing again in programs to improve LIS outreach and education.

Medicare Advantage

Medicare Advantage currently provides coverage to over 11 million Medicare enrollees. Last year, the Committee proposed a range of options to modify payments in MA to promote efficiency. In addition, the Committee considered a number of alternative methods for paying MA plans for activities that manage and coordinate care for chronic and medically complex beneficiaries. This year, the Committee will closely monitor legislative changes that may be enacted to modify Medicare Advantage (MA) payments. The Committee will look at the effect of any legislative changes on the quality of care delivered by MA plans, beneficiary access to services and plans, the types of plans that participate in Medicare Advantage, and Medicare costs. And if necessary, the Committee will also work with the Centers for Medicare and Medicaid Services (CMS) to consider improvements that can be made administratively to the Medicare Advantage bidding process in light of the uncertainty surrounding the Sustainable Growth Rate (SGR) formula. The Committee will also monitor the number and types of plans offered by special needs plans and review the quality of care delivered by them according to reports prepared by the National Committee for Quality Assurance and CMS. The Committee will consider legislation to extend authority for special needs and cost plans beyond their current expiration date.

Medicaid and Children's Health Insurance Program

Medicaid and the Children's Health Insurance Program (CHIP) play an increasingly important role in the U.S. health care system, especially in tough economic times. According to data from the Centers for Medicare & Medicaid Services, during 2009, the number of children ever enrolled in Medicaid was 31.3 million and 8.7 million children in CHIP, for a combined total of 40 million children.

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

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

Indian Health

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

Health Care Fraud and Abuse Control

The President's Budget proposes a significant increase in Medicare and Medicaid program integrity activities, including by providing additional funds for the Health Care Fraud and Abuse Control (HCFAC) Program. HCFAC funding has a well-established record of success in fighting fraud, waste, and abuse in Medicare and Medicaid, as well as a good return on investment. The Administration points out the significant return on investment it expects from program integrity activities related to the additional funding, including from the Health Care Fraud Prevention and Enforcement Action Team (HEAT) operated jointly by the Departments of Health and Human Services and Justice.

Child Welfare

Since the passage of the 1997 Adoption and Safe Families Act, more than 550,869 children from the child welfare system have been adopted into safe, permanent homes, and we should continue investments to promote adoption and post-adoption support. Despite this progress, 463,000 vulnerable children remain in foster care needing care and support. Sadly, thousands of youth "age out" of foster care without a permanent home. In 2008, 29,000 youth aged out of the system without a home. Even more troubling, the number of youths aging out without a permanent home has steadily increased over the past ten years. Since 1999, 228,000 youths have aged out of foster care.

In 2008, in response to this, and other critical issues for youths in foster care and families seeking to adopt, the Congress, on a bipartisan and bicameral basis enacted the most significant reform to the child welfare system in over a decade, the "Fostering Connections to Success and Increasing Adoptions Act of 2008 (FCSIA)." Since its passage, the administration has begun the implementation of the Act.

The new law provides additional federal incentives for states to move children from foster care to adoptive homes. It enables foster children to be cared for by their own relatives, including grandparents, aunts and uncles, and to stay in their own home communities. It makes all children with special needs eligible for federal adoption assistance. Previously, that assistance had been limited to children who are removed from very low-income families. The law also establishes new opportunities to help kids who age out of the foster care system at 18 by helping them pursue education or vocational training, provides more direct federal support for children being served by tribal child welfare systems and many other improvements. Implementation of this law must be a priority. Congress may need to participate in encouraging states to avail themselves of the options provided under this law. Additional technical corrections, such as clarification about the roles of school districts in complying with the educational provisions in the new law may also be necessary.

As implementation of FCSIA occurs, Congress must continue to work with the Department of Health and Human Services, the Department of Justice and states to keep pace with the growing needs in the child welfare system. Even with the passage of last year's bill, improvements in child welfare are still needed. The financing structure remains a major challenge, as does the need for states to work to prevent repeated abuses and neglect of children, and efforts to strengthen upfront and prevention services for fragile families. The FY 2010 Budget Resolution included a reserve fund for child welfare which would allow Congress to do the following:

(1) make improvements to child welfare programs, including strengthening the recruitment and retention of foster families, or make improvements to the child support enforcement program;
(2) improve the Federal foster care payment system to better support children, improve family support, family preservation, family reunification services, address the needs of children prior to removal, during removal, and post placement or address the needs of children who have been abused or neglected; or
(3) provide funds to states for a program of home visits to low-income mothers-to-be and low-income families that will produce sizeable, sustained improvements in the health, well-being, or school readiness of children or their parents; by the amounts provided in such legislation for those purposes, provided that such legislation would not increase the deficit over either the period of the total of fiscal years 2009 through 2014 or the period of the total of fiscal years 2009 through 2019.

We request that this year's budget appropriate funding to assist states in making needed improvements in the child welfare system in the same manner.

Social Services Block Grant

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

Temporary Assistance for Needy Families (TANF) and Related Programs

Unless Congress takes action, TANF, Child Support Enforcement, Court Improvement Programs, Child Care, and Marriage and Fatherhood, and related programs will expire on September 30, 2010. A timely reauthorization of these programs is essential to ensure that the critical safety net provided by these programs is not compromised in these difficult economic times.

We strongly encourage the funding of these important safety net programs and would seek to make needed improvements to these programs that reflect best practices with regard to moving individuals into sustainable jobs. We would also seek to improve TANF's ability to respond counter-cyclically during times of economic downturn as well as improvements to the program to assist the majority of clients find meaningful jobs when the economy improves. The TANF Emergency Contingency fund is a proposal Congress may consider to meet these goals. In the coming year, Congress should have the flexibility to develop legislative proposals related to the aforementioned topics as well as TANF's ability to address the effects of poverty on women, children and men separately and as family units. Finally, we intend to pursue polices to address issues associated with the TANF child-only cases. We request that this year's budget provides sufficient funding to support this flexibility.

Unemployment Insurance

The unemployment rate is currently 9.7 and may remain above the historical average for the next several years. Currently, there are over six million workers who have been looking for work for six months or longer. There are several issues related to the unemployment system and job creation that warrant increased Congressional attention this year including short-term compensation, transitional jobs, tax credits, and state solvency proposals.

In addition, last year the President's Budget included a proposal to reform the unemployment system by making the program more accessible to workers during recessions; improve UI as an automatic stabilizer by promoting improved responsiveness in state permanent Extended Benefits programs during economic downturns; and improve UI financial integrity by reducing improper payments and employer tax evasion. These issues are still worthy of attention and goals Congress should pursue.

The Committee would like the flexibility to further develop these policy opportunities and requests a reserve fund for these activities in the Budget Resolution.

Trade

The Finance Committee may consider legislation to amend the Haitian Hemispheric Opportunity through Partnership Enhancement Act and the Caribbean Basin Trade Partnership Act to provide additional duty-free access to the U.S. market for certain products produced in Haiti. The Committee may consider legislation to reauthorize the commercial functions of the Bureau of Customs and Border Protection (CBP) and the Bureau of Immigration and Customs Enforcement (ICE) at the Department of Homeland Security (DHS), as well as legislation to reauthorize the Office of the U.S. Trade Representative and the U.S. International Trade Commission. The Committee also may consider legislation to enhance the enforcement of U.S. trade agreements and U.S. trade laws; legislation to enhance the enforcement of intellectual property rights abroad; legislation to address exchange rate misalignments; legislation to suspend or reduce tariffs on miscellaneous imports; legislation to implement the pending trade agreements with Panama, Colombia, and South Korea; legislation to implement a possible multilateral trade agreement in the World Trade Organization (WTO); legislation to address trade and travel restrictions with Cuba; legislation to address the trade aspects of a carbon "cap-and-trade" system; legislation to authorize permanent normal trade relations with Azerbaijan, Kazakhstan, Moldova, and/or Russia; legislation to address U.S. laws that are found to be inconsistent with our WTO obligations; and legislation to grant the President Trade Promotion Authority, which expired on July 1, 2007. Finally, the Committee may consider legislation to address the expiration of key trade legislation this year, including legislation to continue trade sanctions against Burma, which expire on July 28, 2010; legislation to extend the Trade Adjustment Assistance programs, which expire on January 1, 2011; legislation to extend the duty on ethyl alcohol provided for under Chapter 99 of the Harmonized Tariff Schedule of the United States, which expires on January 1, 2011; and legislation to reform and/or extend existing preference programs, including the Caribbean Basin Trade Partnership Act, which expires on October 1, 2010; the Andean Trade Preference Act, which expires on January 1, 2011; and the Generalized System of Preferences program, which expires on January 1, 2011.

The Finance Committee also 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, protection and enforcement of U.S. intellectual property rights abroad, and the President's National Export Initiative. The Committee also will conduct oversight of ongoing international trade and investment negotiations and dialogues, including (1) discussions aimed at concluding new agreements in the WTO; (2) plurilateral negotiations to conclude an Asia-Pacific regional trade agreement; (3) negotiations to conclude a plurilateral Anti-Counterfeiting Trade Agreement; (4) negotiations to conclude a bilateral investment treaty with China; (5) negotiations to conclude a bilateral investment treaty with India; (6) negotiations to conclude a bilateral investment treaty with Vietnam; (7) negotiations to conclude a bilateral investment treaty with Georgia; (8) negotiations to conclude a bilateral investment treaty with Mauritius; (9) negotiations to conclude a bilateral investment treaty with Pakistan; (10) discussions under the U.S.-China Strategic and Economic Dialogue and the Joint Commission on Commerce and Trade; and (11) other ongoing international negotiations that have been initiated.

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

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

Social Security

Service Delivery

There are many serious service delivery problems facing the Social Security Administration (SSA) at this time:

First and foremost, 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.

- Much of the waiting time is due to huge backlogs of appeals hearings before Administrative Law Judges. The recession has added to this problem because there is an increase in the number of claimants applying for benefits during any economic downturn.

- Waiting times for receiving disability benefits are also problematic because a huge backlog of initial claims adjudications has also developed. The recession has contributed to this problem. At the end of FY 2008, the level of pending claims was about 557,000, but SSA projects it will exceed 1 million by the end of FY 2010.

The second service delivery problem is the extreme difficulty of reaching many SSA field offices on the telephone. SSA's Office of Quality Performance estimates that Field Office telephone busy rates were about 58% in FY 2009. But this did not include all of the people who got busy signals and never got through to the field offices at all.

Third, there are long waiting times for walk-in customers in some field offices. In the first 18 weeks of FY 2010, 903,404 customers had to wait at least an hour, with 94,821 of these customers waiting more than two hours. Although this is a slight improvement over the same time period in FY 2009, a significant problem remains. It is also important to note that SSA has devoted significant resources to reduce waiting times in field offices this fiscal year (FY 2010), and this decrease has come at the expense of other workloads and activities.

Fourth, there are huge backlogs for the work that arises after beneficiaries begin receiving benefits, such as the initiation of repayments from beneficiaries who have been overpaid. The backlog of these "post-entitlement" workloads would grow by the enormous sum of 3,100 work-years in FY 2011.

Finally, service delivery to the public includes the right of taxpayers to know that SSA is being a careful steward of the funds it pays out in benefits. In particular, such stewardship should include reducing the number of improper benefit payments to a minimum. One way to do so is to increase the number of medical continuing disability reviews (CDRs) performed each year. These reviews detect payments in SSA's disability programs to beneficiaries who are no longer disabled. SSA saves about $10 for each dollar spent on medical CDRs. In FY 2004, SSA performed about 681,000 CDRs but in FY 2010, SSA expects that number to be only 329,000. This is not adequate stewardship of SSA's programs.

The President has requested $12.379 billion for the funding for SSA's administrative costs for FY 2011. This represents an increase over the prior fiscal year of $579 million -- about 4.9% -- when funding in the FY 2009 economic recovery law for the processing of workloads is taken into account. Of this $579 million increase, however, $420 million is needed to cover increases in operating costs, such as salaries and rent. This leaves only $159 million of new funds to try to mitigate the important service delivery problems described above.

The President's Budget proposes to use almost all of the $159 million to reduce the backlogs of appeals hearings and initial claims adjudications. With this additional funding, the Commissioner believes that SSA would continue to be on track to eliminate the appeals hearings backlogs by the end of FY 2013. SSA would also be on track to reduce the number of pending initial claims adjudications to its pre-recession level of 525,000 by the end of FY 2014. We do not disagree with these choices. But, unfortunately, these choices mean that there would be no additional funds available to:

- Improve the extremely poor telephone service in the field offices;
- Reduce waiting times in field offices;
- Prevent the huge backlog of 3,100 post-entitlement work-years from developing;
- Significantly increase the level of medical CDRs. (The Budget does propose an increase of annual medical CDRs from 329,000 in FY 2010 to 360,000 in FY 2011, but as noted earlier, 681,000 medical CDRs were undertaken in FY 2004).

The Commissioner originally proposed that SSA receive $13.100 billion for its administrative costs in FY 2011. But the President's Budget lowered that amount to $12.379 billion. All of these service delivery problems could be tackled if SSA were to receive the $13.100 billion that the Commissioner originally proposed to OMB. But that would require an increase of much more than the 4.9% requested in the President's Budget.

The President recommends that very few programs in the entire Budget receive increases of 4.9% or greater. Indeed, the Budget recommends that funding for some programs be frozen or cut. In this environment of fiscal constraint, it would be inappropriate to seek an increase for SSA of more than 4.9%. Therefore, we are requesting that the Senate Budget Resolution recommend for SSA the President's request of $12.379 billion for FY 2011 (This does not include funding for research or for the Inspector General's Office). We are requesting that the Appropriations Committee provide for the same amount when it marks up its bills later this year.

It bears emphasizing that even with the full amount of the President's request; the service delivery problems described above would continue or get worse. Funding below the President's request would only exacerbate these serious problems.

Upward Ceiling Adjustment

The President's Budget for FY 2011 proposes that Congress allow for several upward adjustments to the 302(a) appropriation ceilings included in the Budget Resolution. These adjustments can be used only for certain program integrity activities, and each adjustment is only allowed to occur if the base amount for that activity is fully appropriated. One such adjustment would be for SSA to conduct additional medical Continuing Disability Reviews (CDRs) and SSI redeterminations. As noted above, medical CDRs detect payments in SSA's disability programs to beneficiaries who are no longer disabled. These reviews save $10 for each dollar spent. SSI redeterminations review the eligibility of Supplemental Security Income (SSI) beneficiaries each year. Eight dollars is saved for every one dollar spent on these redeterminations.

The President's Budget proposal of $12.379 billion for SSA for FY 2011 includes both a base amount of $283 million for CDRs and SSI redeterminations, and an additional $513 million "upward ceiling adjustment" for these same purposes. We recommend that the Budget Resolution include both the base amount and the upward adjustment mechanism. In addition, the President's Budget includes the savings from these program integrity provisions in its estimates of the deficits it proposes for each year. We recommend that the Budget Resolution do the same. The President's Budget also proposes that significant funding be dedicated for these activities in each of the four subsequent years. We recommend that the Budget Resolution follow suit.

Sincerely,

Max Baucus
Chairman

Charles E. Grassley
Ranking Member

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510–6225

March 5, 2010

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:

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

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

We realize that we are facing a very difficult budget climate with significant domestic economic challenges and rising federal deficits. But at this moment we can ill afford not to invest critical resources in support of our foreign policy priorities. It is important that we put the budget into perspective. This year's total international affairs budget request of $58.5 billion represents a 2.8% increase over FY 2010 amounts, including this year's supplemental. This money is a fraction of a fraction—just 1.4% of the overall budge. We are discussing just one-sixteenth of our national security budget. Compare that with our 2011 Defense budget of $708 billion and it's clear that our foreign policy is badly out of balance.

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

We further note that some items not listed under the function 150 account can nevertheless have critical implications for the conduct of our foreign policy. In that vein we strongly urge you to fully support the President's budget request under the National Defense budget function for the Department of Energy's work to maintain our nuclear stockpile and modernize our nuclear infrastructure. We anticipate that the Senate will be asked this year to consider a treaty that the United States and the Russian Federation are currently negotiating to replace the expired Strategic Arms Reduction Treaty (START). This new treaty is expected to require reductions in our levels of deployed strategic nuclear warheads and strategic delivery vehicles, while preserving from START the types of verification and transparency measures needed to stave off a return to the mistrust and the miscalculations of the Cold War. We believe that it is vitally important, especially in light of the Senate's possible consideration of such a treaty, that the Congress continue to demonstrate its commitment to providing the resources necessary to ensure that the nuclear arsenal we retain is safe, secure, and effective.

We similarly support the President's budget request under the National Defense budget function for efforts to combat the proliferation of nuclear, chemical, biological, and missile weapons, technology, and knowledge. The requests for the Nunn-Lugar Cooperative Threat Reduction program and the National Nuclear Security Administration's Defense Nuclear Nonproliferation account will accelerate and extend work to meet the President's goal of securing all vulnerable nuclear materials in four years, will expand efforts to reduce biological threats and secure dangerous pathogens, will continue cooperative efforts to eliminate Soviet-era strategic weapons systems, and will support a Next Generation Safeguards Initiative to strengthen global safeguards against nuclear proliferation. The use of such weapons anywhere could have dramatic consequences in our relations with the rest of the world, and efforts to prevent their spread and their use must be fully resourced.

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

Afghanistan

The President's FY2011 budget request for Afghanistan reflects a real commitment to resourcing a civilian strategy that will be the bedrock of any success we achieve in Afghanistan. Resources will be used to support a growing civilian mission that will complement any military gains by combating weak governance, corruption, and endemic poverty. Addressing these vulnerabilities is critical to long-term stability so that we can start drawing down our troops without sacrificing regional security. We welcome the President's approach which links security, development, and governance objectives across the civilian-military spectrum – this has been absent for far too long. Key priorities for Afghanistan should include combating the insurgency, focusing on job creation and improving economic livelihoods through licit means, building professional security forces, including competent civilian and community police forces, and supporting rule of law efforts that promote democratic governance and human rights.

The Committee on Foreign Relations will continue to closely monitor and oversee our programs in Afghanistan to ensure we are not wasting taxpayer resources and that our strategies can be translated into concrete action on the ground. We believe firmly that we should focus our efforts on what is doable and what builds the capacity of Afghans to take over responsibility for securing and governing their country, especially at the local levels. We will keep working with the Administration to press for greater accountability and transparency and realistic metrics that can help us gauge our success and recalibrate our policies as necessary.

Pakistan

Our success in Afghanistan depends in large part on what we can achieve in Pakistan. Pakistan remains the central front in the global counterinsurgency, and an important lynchpin of regional security. With the unanimous passage of the "Enhanced Partnership with Pakistan Act of 2009" this past fall, the United States has fundamentally reoriented its relationship with Pakistan from an ad-hoc, security based approach to a multi-faceted partnership that seeks to help Pakistanis overcome political, economic, and security challenges that threaten Pakistan's stability, and in turn undermine regional stability. We are pleased to see the President's budget request for non-military assistance for Pakistan focuses on addressing immediate energy, water, and related economic crises; supports broader economic and political reforms; and helps Pakistan counter militants and eliminate extremist sanctuaries that threaten the regional and people around the world. This approach will be the key to building trust with the Pakistani people, decreasing the appeal of extremists, and building a more stable, democratic Pakistani state.

The Committee on Foreign Relations is working closely with the Administration as it develops its spending priorities for Pakistan. We want to ensure that the funds authorized by Congress will be used in a manner that most effectively improves the daily lives of the people of Pakistan. Questions of absorptive capacity, accounting mechanisms, and political will remain challenges for us that must be addressed fully in the Administration's spending plans to ensure maximum effectiveness of U.S. taxpayer dollars. This Committee will remain vigilant with regards to our oversight responsibilities in Pakistan.

Non-proliferation

An ongoing priority of the Committee is to support American and global 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: providing robust funding in a timely manner to key international organizations carrying out critical non-proliferation tasks, such as the International Atomic Energy Agency, the Organization for the Prohibition of Chemical Weapons, and the Preparatory Commission for the Comprehensive Test Ban Treaty Organization (particularly by building on the success achieved in FY 2011 in eliminating the need to defer our contributions to these organizations to the very end of the calendar year); enhancing the International Atomic Energy Agency's nuclear safeguards system; funding State Department efforts to promote biosecurity worldwide. while enacting the Global Pathogen Surveillance Act to strengthen the ability of developing countries to detect and combat bioterrorism threats and infectious diseases; and reviving the Key Verification Assets Fund to give the Department of State some ability to help develop or maintain critical arms control and nonproliferation verification capabilities. The authorization of appropriations for these initiatives is expected to be $90 million in FY 2011 and $120 million in each of the out-years above the President's request for nonproliferation activities at the State Department.

Reconstruction and Stabilization Assistance

A continuing priority is to significantly improve the U.S. civilian capacity to undertake stabilization and reconstruction missions in countries that are recovering from war or conflict. This capacity is the core of legislation introduced and passed by the Foreign Relations Committee and the Senate over the last six years and is now established in law. Such a coordinated civilian response has garnered significant vocal support from across U.S. agencies deployed in response to the wars in Afghanistan and Iraq. We urge continued support of this priority in the FY2011 budget request ($184 million for the Civilian Stabilization Initiative). We urge your Committee to sustain the progress made in FY2010 and continue to prioritize funding for this initiative. The request level for the CSI supports continued establishment of a civilian active response corps of 250 personnel and a standby response corps of 2,000. Our capacity to organize and deploy skilled and effective civilians to swiftly respond to crises that are in our national interest is essential, especially as essential partners to our military forces.

We are also encouraged to see the Administration begin to return functions to the 150 account that traditionally have been civilian led and civilian funded. This includes substituting the 1207 authority with a $100 million "Complex Crises Fund" that will respond to emerging or unforeseen crises.

Global Health

Over the course of the last decade, the United States has led the world in creating bilateral programs and supporting multilateral efforts to fight HIV/AIDS, tuberculosis, and malaria, saving literally millions of lives. These extremely successful programs make up the foundation for the Administration's new Global Health Initiative (GHI). The GHI's approach is consistent with the Tom Lantos and Henry J. Hyde United States Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008 which emphasized the need to reduce barriers, promote in-country leadership, emphasize women and girls, and underscore the importance of prevention and the need to strengthen health systems. While still a work in progress, the integrative approach of the GHI offers the opportunity to steer a genuine paradigm shift in how the United States approaches global health. It can save more lives, make tax dollars go further, and help countries build vital health systems.

Within the Foreign Assistance account, the Administration has requested $ 8.5 billion for Global Health and Child Survival. We strongly support at least this level of funding for U.S. bilateral programs and the Global Fund to Fight AIDS, Tuberculosis, and Malaria, in which U.S. support is matched at least twice-over by the rest of the world.

Global Climate Change

The international community continues to be actively engaged in an effort to reach a new agreement to address global climate change. As agreed to at the negotiations under United Nations Framework Convention on Climate Change in Copenhagen last December, the world's major emitting countries have come together to produce unprecedented new commitments to reduce emissions and report on their progress to the international community for review. In addition, developed and developing countries agreed to both short-term and longer-term financial commitments. In Copenhagen, the U.S. emerged as a leader in part by agreeing to a $30 billion collective commitment by developed nations by 2012 and a $100 billion global annual commitment by 2020 to support the global community in meeting our shared objectives. With a new cycle of international negotiations underway and set to conclude this November, the world is waiting to see how the United States begins to achieve the commitments it made, especially regarding support for international climate finance. The President FY11 budget request is a critical step in demonstrating our leadership by providing necessary resources to tackle the challenge of global climate change.

The fact is that while we are only looking at a small increase in the FY11 international affairs request – 2.8% - from FY10 enacted levels when all FY10 supplemental requests are included, the impact of this increase is significant. This is because much of the increase from FY10 to FY11 will go towards supporting core international climate change priorities, such as preventing the destabilizing impacts climate change can have in vulnerable countries. The impacts of such change has often been referred to by high-ranking military generals and the intelligence community as a "threat multiplier" with "the potential to create sustained natural and humanitarian disasters on a scale far beyond those we see today" in a report from the Center for Naval Analysis.

Moreover, this budget will be used to allow the U.S. to take prompt, substantial action to help vulnerable countries adapt to and build resilience to the impacts of climate change, particularly the least developed countries, small island developing states and African countries most severely affected by the impacts. We will be helping to reduce greenhouse gas emissions by spurring the deployment of clean energy technologies to hasten the transition to a low-carbon global economy. And we will support reductions in greenhouse gas emissions by increasing the sequestration of carbon stored in soils, plants and trees.

Similarly, we strongly support increased levels of funding for multilateral climate finance programs and funds. Representative of U.S. leadership in this area, the President's budget includes an increase in the U.S. contribution to these funds to $635 million—$400 million for the Clean Technology Fund and $235 million for the Strategic Climate Fund. Similarly, the Global Environment Facility (GEF) has proven to be an important vehicle for providing critical funding to developing countries preparing for, and coping with, the impacts of climate change. We are also encouraged to see that 51% of the Administration's commitment to the GEF supports efforts to reduce greenhouse gases.

Humanitarian Assistance

We are encouraged by the President's decision to maintain strong levels of humanitarian assistance funding to reflect projected emergencies and contingencies, especially funds for the International Disaster and Famine Assistance account. As the recent disaster in Haiti has underscored, fully funding this account is essential for ensuring a prompt humanitarian response in times of crisis. Full humanitarian assistance funding allows humanitarian agencies working on the ground to better plan, leading to lives saved and more efficient expenditure of taxpayer funds. We believe this is a sensible strategy and we support fully funding these accounts.

Millennium Challenge Corporation

The Millennium Challenge Corporation (MCC) is an important and innovative development tool, and enjoys our strong support and the continued support of the development community. It represents one of the few institutions in the U.S. Government dedicated to providing long-term development funding. We support the President's FY11 request for $1.28 billion in funding and note that this falls significantly below the FY 2009 request of $2.225 billion. This minimum level will allow MCC to fulfill future compact commitments in its pipeline, including critical countries such as Jordan. We feel this is an appropriate level in which to fund MCC and we strongly urge full funding of this request.

Global Food Security

The spike in food prices that occurred in 2007 and 2008 caused an additional 75 million people into poverty. There are now 1.2 billion people in the world who suffer from chronic hunger. While global prices have abated somewhat, they remain high in many parts of the world. Even more alarming are trends, which if they continue, will cause increased pressure on food supplies and prices in the near future. Population growth is projected to reach 9.2 billion people by 2050, requiring farmers to at least double production in order to keep pace. However, they will need to increase their yield at a time when further pressures from water and land scarcity, fluctuating fuel prices, degraded land, deforestation, and the effects of climate change in the form of deteriorating weather patterns all conspire against them. We must recognize that hunger and poverty are related conditions. Addressing food security must be understood to encompass rural development, with investments in roads, irrigation systems, markets, education, health, and job creation. Food security has important implications for political stability as evidenced by riots that took place in nearly over 30 countries in 2007 and 2008 in response to high food prices. We urge that the budget resolution reflect the need to increase U.S. foreign assistance for agriculture and rural development.

Contributions for International Peacekeeping Activities

With ongoing peacekeeping operations in Southern Sudan and Darfur, the Democratic Republic of Congo, Haiti and 12 other United Nations missions, we strongly support the Administration's request for $2.18 billion. This assistance is critical to meet increasing needs for U.N. peacekeepers to provide civilian protection to vulnerable populations as well as additional support, such as that offered by MINUSTAH in Haiti since the earthquake despite critical personnel losses suffered by the mission itself.

Migration and Refugee Assistance

The U.S. refugee program is the largest and most successful refugee assistance, protection and resettlement program in the world. U.S. funding to refugee, IDP and stateless people throughout the world is effective and essential in saving countless lives and assisting individuals transition from conflict to security. The Administration's overall Migration and Refugee Assistance (MRA) and Emergency Migration and Refugee Assistance (ERMA) request combined is down $88 million from FY2010 estimated levels. While we support the increase in refugee admissions levels, we would like to see the overseas assistance levels increased to FY 2009 levels. The FY 2011 request for overseas refugee assistance is down $163 million from FY 2009. Funding for Iraqi refugees remains direly underfunded, and the U.S. is the only large-scale provider of assistance to refugees fleeing ongoing torture, persecution and conflict in Iraq. Moreover, hundreds of thousands of individuals remain displaced inside Iraq with no long-term solutions. The same situation is faced in Pakistan. Refugees continue to stream out of Burma and stateless individuals, such as the Rohingya, see deteriorating conditions everyday with almost no international protection and no long-term solutions in Burma or in countries of refuge. These are only a few examples of global refugee needs. The U.S. is the world's leader in refugee affairs, and the ability to plan ahead, especially with regard to climate and migration, is essential. We urge the budget resolution to support overseas assistance to the FY 2009 levels to ensure we have robust tools for long-term planning and protection.

International Violence Against Women

Violence against women around the globe is endemic and destructive. In countries and regions where we have our largest counter-insurgency and development programs, violence against women rages with impunity and tolerance. Discrimination against women and girls, and widespread violence and abuse, has been shown to be a hindrance to a community's long-term ability to develop and thrive. The US government does not track its overall expenditures of funds on combating violence against women, nor does it have a large-scale strategy for how development and assistance funds can most effectively be utilized to overcome violence in societies. Secretary of State Hillary Clinton, and her Ambassador-at-Large for Global Women's Issues, have been tireless advocates on behalf of women's and girls' equality and development, yet both the State Department and USAID need more robust tools to mainstream gender analyses in strategy and planning, and to keep track of programs that go toward the amelioration of violence against women and girls, and of recipients. The Administration should be assembling best practices and toolkits to integrate anti-violence programs into our assistance efforts, and to ensure sufficient funds actually reach women in affected areas. We have introduced the International Violence Against Women Act (S.2982), which provides the State Department and USAID with greater authorities. The Administration's request for staffing and operations of the Office for Global Women's Issues is almost $3.5 million. This is a small investment for a long-term reward. We urge that the budget resolution fully fund the Administration's request for that office, and additional funds to assist with efforts to begin tracking US assistance and creating best practices for more effective policies and programming.

State Operations and USAID Operating Expenses

The 2011 budget request includes funding for a multi-year effort to significantly increase the size of the Foreign Service at both the Department of State and USAID. An increased cadre of State and USAID Foreign Service officers will help advance our critical foreign policy goals and deliver on our expanding foreign assistance commitments. We believe sufficiently funding this account is an essential cornerstone to rebuilding the capacity of one of our most important foreign policy tools. This request will continue to allow State and USAID to recruit, hire and train badly needed new Foreign Service Officers, barely covering attrition rates. Several studies in the past few years—including by the Governmental Accountability Office and the American Academy of Diplomacy—have noted that the State Department and USAID suffer from serious personnel shortages. We have asked them to expand their missions and operations into new theaters like Afghanistan, Pakistan and Iraq. We cannot expect to achieve U.S. foreign policy objectives if we do not provide appropriate resources.

Public Diplomacy

The administration has been clear in its position that public diplomacy activities, namely, communicating through new and effective technologies and engaging in person-to-person initiatives, are critical to supporting our critical foreign policy priorities. In Afghanistan and Pakistan alone, the administration has conceded that the U.S. is fighting an "information war". How this "war" is fought and whether it will ultimately be effective in countering radical sentiments and ideologies that run contrary to U.S. governance and development goals, depends on how well integrated public diplomacy is in our overall strategy, and the creativity and efficacy of our tools.

For its FY 2011 State Department budget, the Administration requested $567.6 million to fund current services, increase staffing, and begin certain new initiatives for public diplomacy. This is an increase of $47.7 million above the FY 2010 appropriated level. As part of the request, the Administration seeks to increase public diplomacy staffing by 28 positions (8 domestic and 20 abroad). We support the Administration's overall increase, and its request for 28 new positions. We urge that this essential request be fulfilled. Within the overall request, the ECA request was $633 million, down $1.8 million from last year. Exchange programs are critical to deepen America's engagement with the world. Through these programs Americans and foreign participants have the opportunity to understand each other better and build foundations of trust. For minimal dollars invested in these programs, these funds have a multiplying effect on our diplomatic and national security efforts. We urge that the budget resolution restore the ECA funds to FY 2010 levels.

Peace Corps

The Peace Corps, though just a tiny fraction of the overall international affairs budget, is an important representation for our nation's dedication to public service and commitment at the grass roots level to the developing world. Through volunteer service overseas, Americans engender good will and build trust with people from other countries. For a relatively small investment of $446 million in FY11, Peace Corps will be able to grow in strategic ways, including additional volunteers in priority countries.

Africa

U.S. assistance to Africa is an important element of our foreign policy. From supporting security sector reform in the Democratic Republic of Congo to providing humanitarian assistance in Ethiopia to fighting HIV/AIDS in Namibia to helping South Sudan prepare for its January 2011 referendum and all the challenges of governance that vote may bring, this assistance is saving and changing lives. Other dangers on the continent, including terrorism and narcotics trafficking are also growing, often fostered by weak institutions in fragile states. It is in our strategic as well as humanitarian interest to help African countries address these challenges.

Asia-Pacific

An important Committee priority will be to help ensure renewed American engagement and leadership in East Asia and the Pacific. The Asia-Pacific region is home to nearly one-third of the planet's population, almost one-third of global GDP, five U.S. treaty allies, and arguably its most significant geopolitical events, including the rise of China and India. The region is also home to many pressing security challenges and obstacles posed by poverty, weak governments in some cases, and transnational challenges such as extremist groups in Southeast Asia, proliferation of weapons of mass destruction, and unresolved territorial disputes. An unintended consequence of the Asia-Pacific's economic emergence has been the growth in greenhouse gas emissions that threatens a number of densely-populated, littoral countries in the region.

Committee priorities for the Asia-Pacific include: bolstering friendships and alliances with Japan, South Korea, Thailand, the Philippines, and Australia; addressing global challenges with China; strengthening relations with India; establishing a comprehensive partnership with Indonesia; enhancing cooperation throughout Southeast Asia and building on ongoing efforts with the Lower Mekong countries; increasing security and stability on the Korean Peninsula; pursuing a results-oriented engagement with Burma; supporting democratic aspirations and individual rights in the region; engaging non-governmental stakeholders; encouraging and participating in trade and investment activities; and pursuing common interests through multilateral engagement.

We are encouraged by repeated statements and related action from the Obama Administration that thus far suggests a renewed commitment to the Asia-Pacific. It is vitally important that the Administration's stated commitment be matched by the budgetary resources and related diplomatic presence required to seize the opportunities and address the challenges in this dynamic region. In this tight fiscal environment, the return on our investment in this part of the world – geopolitically, militarily, diplomatically, and economically – is well-worth the expenditure.

Latin America

We support the President's open posture toward Latin America and the Caribbean, and the Committee looks forward to increased U.S. engagement with our neighboring regions. The President has requested $2,178,252,000 for all Foreign Operations Aid to Latin America and the Caribbean, a 15% decrease from FY 2010 funding. Though the decrease is substantial, we are pleased to note that among the Administration's budgetary priorities is an emphasis on helping the region to strengthen its democratic institutions. Furthermore, the Committee supports the Administration's apparent efforts to phase out Plan Colombia in an appropriate fashion.

Central Asia

A landlocked region bordering Afghanistan, Iran, Russia, and China that plays a critical role in supporting our military and civilian efforts in Afghanistan, Central Asia is often overlooked and underappreciated with regards to our national security priorities. The region still remains alarmingly fragile; a lack of economic opportunity and weak democratic institutions foster conditions where corruption is endemic and where Islamist extremism and drug trafficking can thrive. To this end, I strongly support the President's FY2011 budget request which prioritizes assistance for the Kyrgyz Republic and Tajikistan. This assistance will be key to helping foster regional stability by improving security, combating drug trafficking and other transnational threats, and addressing dire social conditions.

African Development Fund (AfDF) and Asian Development Fund (AsDF)

The Committee made a point this year of highlighting the need to support the poorest countries during the recent financial crisis, which disproportionally hit the world's poor. To ensure stability during the financial crisis, the AfDF, which is the concessional or "soft loan" affiliate of the African Development Bank Group, provided grant financing and loans on highly concessional terms to Africa's poorest countries. AfDF generally supports investments in African infrastructure, agriculture, water supply and sanitation, public financial management and higher/vocational education, and promotes basic economic policy and institutional reforms needed for sustainable economic growth and development. The request will fund a three-year commitment by the United States, and supports the objectives set out by the Obama Administration to help strengthen Africa's poorest countries and also help them address long-term economic challenges in their countries.

Likewise, the request this year includes funding for the second installment in a four-year commitment to the Asian Development Fund (AsDF), the concessional arm of the Asian Development Bank. The AsDF is tasked, similar to the AfDF, with supporting Asia's poorest countries and did so throughout the financial crisis. The AsDF provides vital development funds to countries like Pakistan. Another critical example, Afghanistan, is the largest single recipient of AsDF grants and development support. Both of these countries are considered by the Committee to be top foreign policy priorities.

Asian Development Bank (AsDB)

Asian economies are becoming a driving force in the world economy, but the role Asian Development Bank plays in the region is a critical one – that of promoting sustainable economic development, reducing poverty, stimulating private sector-led growth, and facilitating sub-regional cooperation in the Asia-Pacific region. The United States is one of the leading shareholders in this institution, which is requesting a capital increase to be able to continue operations in the region. One clear justifications for the investment in the ADB is that it will help maintain US leadership in the bank, alongside Japan, and furthermore, it is a good investment for economic reasons: since the Bank's inception in 1966, U.S. firms have won contracts worth $6.42 billion under AsDB-funded procurement, yielding $1.45 in contract awards for every dollar contributed to the Bank.

Treasury Technical Assistance Programs

This year's request for funding for Treasury's Office of Technical Assistance (OTA) represents a significant increase relative to FY10. The Committee thinks this is wholly justified, given the significant positive impact this arm of Treasury consistently has working with foreign governments to develop and improve effective public financial systems. The Committee receives glowing reports from finance ministries around the world about the work done by OTA staff. They work in countries like Iraq, Afghanistan and Pakistan to support key national security objectives. Building sound financial systems is a key aspect of institution building in a functioning state. The OTA works closely with governments in some 40 countries around the world to develop effective public financial systems.

Extension of the Overseas Private Investment Corporation

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

Direct Spending

We request that the Committee provide the Committee on Foreign Relations with a small allocation (not more than $10 million) for direct spending for Fiscal Year 2011. In recent authorization legislation for the Department of State, the Committee has approved provisions related to management and personnel in the Department that have resulted in small amounts of direct spending, though most of these provisions affect direct spending and revenues by less than $500,000 annually.

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

Sincerely,

John F. Kerry
Chairman

United States Senate

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

March 5, 2010

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 (HELP) Committee for your consideration as you prepare the Fiscal Year 2011 budget. As President Obama crafted his FY 2011 budget, he promised to use a scalpel, not an ax, to hold the line on non-security-related spending. I believe the budget that he submitted to Congress fulfilled that pledge. While freezing overall spending for much of the budget, President Obama proposed significant increases for a range of programs that are critical to the nation's economic prosperity.

Many of these important priorities fall under the jurisdiction of the HELP Committee. For this reason, I urge you to provide a 302(a) allocation to the Committee on Appropriations at no less than the President's discretionary budget request. Providing adequate funding will ensure that Congress can make critical investments in education and healthcare, and in restoring the rights of America's workers, including by providing support for the important programs outlined below.

Within the overall discretionary funding level you establish in the congressional budget resolution, I ask that you refrain from identifying funding assumptions for specific programs and from establishing offsets to discretionary funding under function 920. As you know, it is up to each committee to spend its 302(a) allocation on programs and activities within its jurisdiction. Specific language in the budget resolution related to spending on particular programs or unspecified cuts to discretionary spending makes more difficult the challenge that Appropriations subcommittees will face in allocating resources through the appropriations process.

EDUCATION

Investing additional funding in education appropriately responds to the reality of our current economic situation – that in order to reduce the deficit in the long term, we must strategically invest in programs that benefit our students, teachers and schools right now. Alongside America's communities and families, local school districts, states, institutions of higher education and the students they serve are struggling in these tough economic times, especially with American Recovery and Reinvestment Act (ARRA) funding running out. Adequate funding for programs that expand opportunities for all Americans from early education through higher education, including a significant investment in elementary and secondary education, will help ensure that today's students are ready for college and productive careers in the 21st century economy.

Early Childhood Education and Care
We must do all that we can to see that all children begin school ready to learn. Studies show that it is far less costly for society to invest early and put young children on the right track from the start, instead of spending billions of dollars to rescue and remediate later. In fact, one study concludes that in the long run, the government saves 7 dollars for every dollar invested in early education for our most vulnerable and youngest citizens. Children who receive high quality and comprehensive early care and education services, such as Head Start and Early Head Start, are shown to be less likely to repeat a grade, less likely to commit crimes, and more likely to complete high school and college than their at-risk peers who did not have these services.

Quality child care plays an essential role in the lives of our youngest citizens, especially in these challenging economic times. The Child Care Development Block Grant (CCDBG) increases the quality of care children receive and increases access to quality care for more low-income, working families. By increasing our investment in CCDBG, we can help parents stay in their jobs, enable out-of-work mothers to seek employment and give children the stability, support and important tools they need to succeed in school.

Elementary and Secondary Education
Our nation's future and the future of our children depend on strengthening the reforms in the Elementary and Secondary Education Act (ESEA) and making them work better for all schools. The HELP Committee intends to reauthorize ESEA this year, and I support the President's request to increase the Labor, Health and Human Services, Education, and Related Agencies Subcommittee's discretionary allocation by $1 billion for ESEA programs if Congress passes the reauthorization this year and the Administration requests the additional money. Additional funding for ESEA programs would help to meet the significant needs of states and school districts in support of that goal and make a down payment towards a new vision for a federal role in supporting K-12 success.

Higher Education
The Pell Grant program is the foundation of the federal student aid system. As the cost of college continues to grow and Congress pursues policies to return the United States back to the top of nations with the highest proportion of its population with college graduates, we must ensure that the Pell Grant program is adequately funded.

Congress is working on legislation to reform the federal student loan system and use some of the savings to ensure that the maximum Pell Grant award continues to grow each year. The legislation assumes that the $4,860 maximum award established by the FY 2010 appropriations bill (in addition to mandatory funding) is maintained each year through the discretionary appropriations process. In order to support this assumption, the congressional budget resolution must provide the discretionary funding that will be required under the Budget Committee's Pell Grant scorekeeping rule. As you are aware, the President's budget requests all Pell Grant funding on the mandatory side of the budget, which leaves the discretionary funding level short of the amount needed to maintain Pell Grants on the discretionary side of the budget should the budget resolution again take this position.

NATIONAL SERVICE

In these tough economic times, state and local budgets are facing cutbacks that limit what they can do for families and communities who have more need than ever. The President's call to service and the passage of the bipartisan Serve America Act last year has helped renew the American people's commitment to serve their communities and country in whatever way possible. Working with local schools, national and local nonprofits and community-based organizations, volunteers are mentoring children, building homes, helping low-income individuals start their own businesses and assisting in cleaning up and rebuilding communities after natural disasters. With adequate funding, we can increase national service opportunities for students and adults across the country who want to "do their part" and draw on the compassion of the American people to solve our most pressing problems.

LABOR AND ECONOMIC SECURITY

While there are signs that the economy is stabilizing, there is still a long road to recovery ahead. That is why we can and must do more to help working families find security and build new opportunities for the future. That means providing comprehensive support for the nearly 15 million American workers and their families still struggling to find work, promoting quality jobs, and protecting all our workers from unfair treatment.

Employment Training

Innovation is critical to building new opportunities for American workers. I applaud the President's call to reauthorize the Workforce Investment Act (WIA) and fully support the Administration's goals for transforming the workforce system, including streamlining service delivery, improving accountability, and strengthening sector strategies through regional partnerships. Adequate funding can help the system test new models and implement proven strategies in workforce development. The Administration's budget proposes targeting additional resources at high-demand industries, such as health care and green energy. Because the demand for jobs in these fields will require many workers to upgrade their skills, I strongly support the Administration's American Graduation Initiative. By targeting resources for community colleges to maximize the number of individuals completing education and employment training programs, this important new initiative will bolster our education and training system to make sure workers are prepared for the jobs of the 21st Century and beyond.

Workers also need support while upgrading their skills, particularly dislocated workers who will need to enter new career fields due to changes in our economy. The number of workers eligible for Trade Adjustment Assistance is rising rapidly. Several Iowa companies currently await decisions on their TAA petitions, and there have been several other recent announcements of plant closings in my home state. In these difficult circumstances, TAA provides a critical safety net of services, mitigating the potentially devastating impact these layoffs can have on workers who lose their jobs due to trade. The reauthorization and expansion of the TAA program that passed as part of the Recovery Act contained critical reforms such as covering workers and firms in the service sector and improving training opportunities and health coverage for trade-dislocated workers. Unfortunately, these changes are set to expire on December 31, 2010. While the President's proposal calls for a 10-year extension of the program, the budget request does not assume this authorization will take place. Given the high rate of unemployment, particularly in industries impacted by globalization, support for TAA must reflect the expanded program as authorized under the Recovery Act

Workplace Rights and Protections

A real recovery for working families also means protecting the quality of American jobs. The President's budget reflects a commendable commitment to enforcing basic workplace standards that protect all our workers from being abused during these difficult economic times. It also contains forward-thinking proposals to help workers balance the demands of their jobs and their caregiving responsibilities.

First, the President's budget reflects the Administration's continued commitment to revamping long-neglected enforcement programs for key labor laws, such as the minimum wage, overtime laws, and the Family and Medical Leave Act. Of particular note is a new initiative focusing attention on the widespread problem of employee misclassification. Misclassification of employees as independent contractors strips workers of many workplace rights and protections, it robs federal and state governments of needed tax revenue, and it harms responsible employers by allowing their competitors to illegally achieve lower payroll and insurance costs.
The President's budget also recognizes that workers in today's job market are more vulnerable than ever to discrimination, and increases funding for the Equal Employment Opportunity Commission (EEOC). Workers have filed a record number of charges with the EEOC since the recession began, and Congress has recently given the EEOC additional responsibilities with the passage of the Genetic Information Non-Discrimination Act and the ADA Amendments Act in 2008. Fully funding this important agency will help ensure vigilant enforcement of these essential anti-discrimination laws.

This renewed commitment to enforcement is also seen in the Administration's approach to protecting the health and safety of our workers. The Occupational Safety and Health Administration (OSHA) and the Mine Health and Safety Administration (MHSA) are critical to cracking down on employers who willfully allow unsafe conditions, and to improving safety and health conditions in our mining industry. Both agencies must have adequate funding if we are to make certain that when injuries occur at work, employers who disregard the importance of workplace safety are held responsible.

This commitment to strong labor standards extends to the activities of the International Labor Affairs Bureau. I enthusiastically support the Bureau's activities and focus on ensuring that workers around the world are treated fairly and that they enjoy the benefits of the global economy. ILAB's important work includes working in countries to implement projects that improve workers' rights and increase living standards. Also of note is the Bureau's oversight of technical assistance projects in over 80 countries to combat the worst forms of child labor and their production of critical reports that have increased the American consumer's awareness of this scourge.

Beyond protecting basic labor standards at home and abroad, the President's budget also demonstrates a new focus on improving the quality of American jobs, and easing the burdens on American workers struggling to balance their many responsibilities. We live in an era when most workers will, at some point in their careers, have caregiving obligations for a child, parent, or spouse, or face a serious health condition that requires workplace flexibility. These obligations should not cost workers their jobs, or put families in bankruptcy. Paid leave programs help workers care for their own and their families' health needs, while continuing to put food on the table and move forward in their careers.

Retirement Security

The President's budget also builds greater security for working families by expanding and improving employment-based retirement programs. I applaud the Administration's continued interest in policy proposals to enhance the retirement security of American workers. Workers need to be saving more for retirement, and need understandable information about their investment choices and the fees that they are paying for those investments.

In addition to expanding individual retirement savings, I look forward to working with the Administration to strengthen the existing defined benefit system. Defined benefit plans are the best form of security for working families, but are increasingly being slashed and frozen. We must do more to ensure that employers who have defined benefit plans keep those plans ongoing, and encourage new pension plans in the future.

<u>DISABILITY</u>

With an increasing number of Americans living with a disability, the services and supports that enable individuals with disabilities to achieve the ADA's goals of equal opportunity, independent living, economic self-sufficiency and full participation are essential. I appreciate the Administration's support for programs that help Americans with disabilities to fully realize these goals and their own potential.

IDEA

One of my top education priorities is fulfilling the federal government's commitment to educate children with disabilities. More than thirty years ago, Congress passed the Individuals with Disabilities Education Act (IDEA) to help states provide children with disabilities a free, appropriate education in the least restrictive environment. At that time, Congress set a goal of bearing 40 percent of the excess cost of serving these students. Today, we cover just 17 percent of the cost. States and local districts are paying more than their fair share, which places an enormous burden on school districts, often forcing tax hikes and cuts to other important education programs. It is critical that we move forward in increasing this funding because all students – students with disabilities and students without disabilities – deserve a quality education.

Employment
One of my highest priorities is improving the employment rate of individuals with disabilities. The Vocational Rehabilitation state grant program provides funds to state vocational rehabilitation agencies to help individuals with disabilities become gainfully employed. As such, it is a critical bridge from school to the workplace for many individuals with significant disabilities. Transitioning from school to work is particularly critical for youth with disabilities, and I support the Administration's focus on expanding supported employment opportunities to help facilitate this transition.

Independent Living
Independent Living programs provide services to individuals with disabilities to maximize their independence, through independent living skills training, individual and systems advocacy, peer counseling, and information and referral. These Centers promote the independent living philosophy of consumer choice and empowerment. Many Centers for Independent Living are instrumental in helping individuals with significant disabilities obtain home and community based services, consistent with the Administration's initiative on the Year of Community Living.

HEALTH

The national budget has a critical impact on health care quality, access, and affordability across America. Our country faces growing challenges in each of these areas, and in the current Congress, Democrats have taken unprecedented steps to reform the broken elements of our health care system. The President's FY 2011 budget shows a resounding commitment to these reform efforts and to improving the health of all Americans by making significant investments in prevention and public health, access to care, and scientific research.

I commend the President for his budgetary commitment to investing in prevention and wellness activities. Funding federal, state, and community-based efforts to encourage healthy lifestyles and prevent chronic disease will ensure that our health system not only treats patients once they're sick, but focuses on preventing illness in the first place. Of course, investing in prevention and wellness today will help us rein in skyrocketing health care costs for tomorrow's generation.

Securing and Promoting Public Health and Scientific Research

CDC/Prevention/Public Health
On the heels of the first influenza pandemic in decades, an economic recession that has forced States and localities to cut public health budgets, and increasing awareness of the importance of prevention for reducing out-of-control health care costs, continued investment in health promotion and disease prevention has never been more important. Therefore, I strongly support adequate funding for the Centers for Disease Control and Prevention (CDC). This will enable the agency to continue to provide essential functions such as monitoring the health of the nation, developing and implementing prevention strategies, coordinating public health responses to emerging health threats, and fostering safe and healthy environments.

It is also crucial to make an investment in state and local public health infrastructure and health statistics to improve the CDC's ability to collect data on the health of the nation. These investments are in addition to funds dedicated to prevention and wellness through other agencies, including by providing $10 billion over 10 years for a strong Child Nutrition and WIC reauthorization, for a new Healthy Food Financing Initiative to bring grocery stores and other healthy food retailers to underserved communities, and $421 million to support the new Center for Tobacco Products at the FDA to ramp up the public health effort to regulate tobacco products.

HIV/AIDS
Approximately 1.1 million Americans live with HIV/AIDS and, despite our scientific understanding of how to prevent transmission, every year, an additional 56,000 become infected. It is critical to provide adequate resources for HIV/AIDS prevention, care, and treatment.

FDA
I commend the Administration for proposing to increase funding for FDA, which is responsible for oversight of more than $2 trillion in foods, medications, medical devices, cosmetics, dietary supplements, tobacco, and other consumer goods. FDA has long been underfunded, so this proposed increase represents a welcome and important commitment to the safety of American consumers. The work of FDA has never been more important, as evidenced by the increasing number of food-borne illnesses in the US, the ever-expanding globalization of food and medicine production, and the complexity of new medical and molecular technologies.

One important initiative reflected in the budget is the President's commitment to transform food safety. The budget calls for an increase of $318 million to set standards for food safety, expand laboratory capacity, strengthen FDA's import program, and improve data and risk analysis. I am concerned, however, that only $79.8 million of this figure is new budget authority; the balance is to be generated by proposed registration and inspection fees. Given the importance of food safety, I urge you to increase the budget authority for food-related activities so that FDA is guaranteed the resources necessary to ensure the safety of our food supply.

In addition, I urge you to increase the proposed budget authority on FDA's Initiative to Advance Regulatory Science. The budget calls for $25 million to support the initiative, but FDA is in need of more resources to develop tools to properly assess the safety, effectiveness, and utility of innovative new products and technologies. It is critical that FDA have sufficient resources to keep abreast of changes in technology and that it apply the best science possible to support its public health mission.

Protecting Americans from Emerging Health Threats and Terrorism
It is critical that the Nation continues to prepare for emerging public health threats and bioterrorism. This is most evident in the 2009 H1N1 pandemic that affected approximately 55 million Americans and resulted in 11,160 deaths. Experts also predict that a biological agent will most likely be used in a terrorist attack by the end of 2013. It is important to build on lessons learned in order to protect Americans from such threats to their health. Adequate resources will allow for the development and procurement of new countermeasures for high

priority areas such as anthrax, and for the support of programs such as the Strategic National Stockpile that will provide medical countermeasures to Americans during a public health emergency; the Public Health Emergency Program that invest in state and local preparedness and response capacity; and disease surveillance programs that can detect emerging health threats throughout the Nation. By focusing on these areas of public health, our Nation will be better prepared to meet the needs of its citizen in the event of a public health emergency.

Reducing Health Care Disparities
Racial and ethnic minorities are more likely to be sick and less likely to access critical health care services than the American population as a whole. To address these persistent health disparities, a sustained investment is needed in initiatives that promote disease prevention and access to necessary health care services among racial and ethnic minorities. It is important to highlight the importance of reducing the health inequities that exist among racial and ethnic minorities. It is only through increased attention that the Nation will be able to eliminate health disparities once and for all.

Improving Quality of and Access to Health Care

Health Professions Workforce
Many communities, particularly rural communities, face severe shortages of health providers, and the millions of Americans who will gain health insurance coverage thanks to health reform will need a trained health care workforce. New health care providers begin their careers with a heavy debt burden, and struggle to pay off thousands of dollars in student loans forcing many into higher-paying subspecialties instead of urgently needed careers in primary care. And each year, qualified applicants to nursing, medical, and dental schools are not admitted because of a shortage of faculty members to teach them. In 2008 alone, an estimated 50,000 applicants were turned away from baccalaureate and graduate schools of nursing. Further, in 2009, over 33,000 applicants were turned away from U.S. medical schools. Adequate resources are needed to support health professions in shortage areas, including the National Health Service Corps, low-interest student loans, faculty development, training in primary care and interdisciplinary care, and health workforce information and analysis to inform Congress and the Administration on how workforce dollars can be most effectively spent.

Improving Access to Quality Rural Health
Currently, 65 million Americans live in areas suffering from a shortage of health care professionals, and accessing health care in rural communities is especially difficult. Although one-quarter of Americans live in rural areas, just 10 percent of our physician workforce practice in these areas. Community health centers and rural health clinics provide essential sources of health care to rural and underserved Americans. Seventy percent of their patient population is at or below the poverty level, and nearly half live in rural communities. Ensuring adequate resources are devoted to community health centers will help expand access to primary health care across the nation. Developing stronger links between telehealth activities and other rural health initiatives will all improve access to care and the quality of health of rural Americans.

Medicaid/Medicare

The Recovery Act has provided critical support to state Medicaid programs, which have provided coverage to millions of Americans who have lost their jobs during the economic recession. A recent analysis found a record increase in Medicaid enrollment in 2009, with 44 states and the District of Columbia reporting higher than expected enrollment and increased spending in fiscal year 2010. Enhanced federal matching funds are scheduled to expire on December 31, 2010, in the middle of fiscal year 2011 for states. Since 41 states project budget gaps in fiscal year 2011, states are already planning major Medicaid cuts in eligibility, benefits, and provider rates. An extension of enhanced Medicaid funding through June 30, 2011, providing $25.5 billion in fiscal relief to states is critical so that states can avert draconian cuts as they plan their budgets for fiscal year 2011 – cuts that would undermine the Recovery Act and federal initiatives to create jobs.

We must also invest in programs s to fight fraud and abuse including the Health Care Fraud and Abuse Control (HCFAC), which will expand coordination between HHS and the Department of Justice (DOJ), as well as proven initiatives such as multi-agency Health Care Enforcement Action Teams, which will be in the field in 13 additional cities. According to CMS actuaries, every new dollar invested to combat fraud saves $1.55. –The

Health Information Technology
Encouraging adoption and meaningful use of health information technology is an essential step toward improving the coordination and quality of care that Americans receive. Strong support for the Office of the National Coordinator for Health Information Technology is integral to ensuring coordination of federal health IT efforts, including the implementation of the investment in health IT made through the American Recovery and Reinvestment Act.

Administration on Aging Caregiver Initiative
Historically, the care of individuals with significant disabilities and older Americans with chronic or serious illness is often provided by family members. These caregivers are an important part of the healthcare delivery system, managing the day-to-day care needs of their loved ones, and preventing costly hospitalizations and nursing home admissions. The average caregiver is a middle-aged woman still active in the workforce – and seventy percent say that their ability to work is compromised by their caregiving responsibilities. I appreciate the Administration's support for initiatives like the Community First Choice option and the CLASS Act which can provide important support services while protecting individual choice and lessening the burden on families.

Women's Health
It is critical to support programs that address the health and wellbeing of women and families, including the Maternal and Child Health (MCH) Block Grant and the Title X and Safe Motherhood and Infant Health programs. These evidence-based programs are uniquely devoted to improving the health of all women and children, particularly for those with limited availability of care and special health care needs and providing clinical services to prevent unintended pregnancies, lower rates of sexually transmitted diseases including HIV, detect cancer at its earliest stages, and improve women's health.

Ensuring Access to Heating Assistance

Low Income Home Energy Assistance (LIHEAP)
Due to current economic conditions, more low-income families are in need of home energy assistance than ever before. No family should have to choose between paying energy bills and putting food on the table. The President's budget reduces discretionary funding for LIHEAP, while at the same time proposing a new mandatory trigger that would release additional LIHEAP funds to states in the event of an increase in energy prices or Food Stamp recipients. While I support efforts to ensure that LIHEAP is responsive to states hard hit by emergencies, it is essential that states have adequate guaranteed funding for home energy assistance. I urge you to include a discretionary cap adjustment, similar to the one you provided last year, for an additional $1.8 billion in LIHEAP funds if the President's funding level of $3.3 billion is included in the LHHS appropriations bill.

Thank you for your consideration of these views. I look forward to working closely with you once again this year to improve education, health and work opportunities for all Americans.

Sincerely,

Tom Harkin
Chairman

United States Senate

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

March 5, 2010

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 Chairman Conrad and Ranking Member Gregg:

Pursuant to Section 301(d) of the Congressional Budget Act, I am responding to your letter dated February 12, 2010, requesting a views and estimates letter for FY2011 for programs and activities that fall within the jurisdiction of the Senate Committee on Health, Education, Labor and Pensions (HELP).

Health

Ensuring All Americans Have Access to Affordable, Quality, and Portable Health Insurance
I support efforts to reform our health care system that lower costs, improve quality, and make coverage available to more Americans. I opposed the bill that passed the Senate last year because it cut $470 billion from Medicare, raised taxes by more than $500 billion on millions of Americans, raised insurance premiums, and would have increased the federal deficit. I hope that we can work to develop piece-by-piece bipartisan solutions that will improve the American health care system.

Such solutions should include measures to provide consumers with more choices when they select a health insurer. Too many consumers do not have access to real choices because a few large insurers dominate many state markets. Allowing insurers to sell across state lines, along with innovative proposals like encouraging state based health care cooperatives could provide millions of Americans with more choices and lead to greater competition among insurers.

Another common sense solution that would help lower costs and make insurance more affordable would be to reform our current medical liability system. We should enact legislation this year that creates incentives for states to reform their flawed medical liability systems and protect physicians from lawsuits if they can demonstrate that they comply with new quality of care measurements.

We should also enact legislation that will better protect patients with preexisting conditions by increasing funding for high-risk pools and developing workable reinsurance policies that provide assistance to health plans that enroll sicker patients. We should also help small businesses by allowing them to band together to negotiate lower rates with their insurers.

To improve health care in America, we should advance innovative strategies to change the health care delivery system to reduce costs and encourage better value. We must strengthen health care by realigning incentives to provide consistent, dependable quality while promoting the principles of care coordination and prevention. In addition, we should create a pathway to allow the Food and Drug Administration to bring second generation versions of biologic products to market. In the area of biologic products, proposals similar to the provisions included in the Senate passed health reform bill will help to reduce the amounts federal programs pay for these drugs and help to slow the rate of health care spending growth.

We also need to transform our health care system to emphasize the importance of prevention and wellness. Health reform proposals need to include initiatives that reward individuals for making healthy choices and flexibility for employers to rewards healthier life style decisions.

Any successful health care reform proposal must be developed in a transparent and bipartisan way. I strongly oppose using the budget reconciliation process to advance health care reform legislation as this would curtail Senate debate, limit amendments, and be a great disservice to the American people. The American people deserve an open and vigorous debate on this important issue that personally touches each and every American.

Health care reforms must also be done in a fiscally responsible manner. The costs of any health care reform proposal should be addressed in a careful way, especially in light of the record debt and deficits. The creation of new unfunded liabilities for additional health care costs would be both irresponsible and a threat to the long term economic health of the nation.

Health Information Technology
The American Recovery and Reinvestment Act contained many provisions designed to encourage more health care providers to use information technology. Patients should have the option of digitizing their medical records so they can receive higher quality, more coordinated care. I hope the President focuses on ensuring the technologies purchased with Federal dollars comply with technology standards harmonized by the

Healthcare Information Technology Standards Panel and certified by the Certification Commission for Health Information Technology. Interoperability is a key component of success in this endeavor, and would save taxpayer money. For example, multiple disease registries could be consolidated with interoperability.

Food and Drug Administration

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

The United States has one of the best food safety systems in the world. Yet there is always room for improvement, and the proportion of our food supply that is imported is increasing. Outbreaks of food-borne illnesses in products as diverse as fresh produce, canned sauces, and peanut butter, as well as the contamination of pet food with melamine, highlight the need to target resources to food safety. The Senate HELP Committee has favorably reported legislation that would provide FDA with new authorities that are needed, in addition to authorizing resources beyond the increase for the foods program proposed in the President's budget.

The importation of prescription drugs from other countries has long been touted by many as a way to lower prices for American consumers. A counterfeit or tainted drug is unsafe at any price. As we consider the issue of drug importation, the safety of our citizens must be our primary concern. I agree that we should explore options to lower health care costs, but I remain opposed to importation without further safety measures. Longstanding safety risks, highlighted by the recent problems associated with the blood thinner heparin, outweigh any very modest savings.

Public Health Preparedness

A rapid and effective response to biological threats – whether natural, accidental, or man-made – depends on ongoing federal and State coordination and the effective use of federal funds by State governments. The Pandemic and All-Hazards Preparedness Act builds on the lessons we have learned from the tragedies of September 11th and the Gulf Coast Hurricanes to improve our nation's preparedness and response capabilities for any public health emergency. Adequate funding for the Pandemic and All-Hazards Preparedness Act is an important step in protecting and safeguarding the health and well-being of all Americans.

Indian Health Service

I support adequate funding for the Indian Health Care Improvement Act to provide the necessary care to Native Americans in need. It has been over 10 years since the Indian Health Care Improvement Act has been reauthorized. The Senate should reauthorize the program to increase coordination of care, modernize programs, and improve the quality of services provided to Native Americans. I am concerned about the gross mismanagement of property and wasteful spending highlighted by the Government

Accountability Office by the Indian Health Service and support greater oversight initiatives to ensure that funding is going to individuals in need of vital health care services.

Substance Abuse and Mental Health
Methamphetamine use is a scourge in many rural communities in the Western and Midwestern United States. I support adequate funding for the Access to Recovery program, which increases consumer control and choice over the treatment service they receive, and this targeted funding toward methamphetamine use will be welcomed by rural and frontier communities. Congress should continue to work on the reauthorization of SAMHSA and ensure that the Administration's services are coordinated with other federal agencies.

Traumatic Brain Injury
Each year, according to the Centers for Disease Control and Prevention, approximately 1.5 million Americans sustain a traumatic brain injury, causing significant, often lifelong, and sometimes fatal, disability. Congress recently reauthorized the Traumatic Brain Injury (TBI) Act, which will boost programs to help people live with the effects of a traumatic brain injury. The bill will assist wounded warriors returning from the wars in Iraq and Afghanistan, especially as they return to civilian life. Because of the increased level of services for this population, due to the wars in Iraq and Afghanistan, this program should be adequately funded.

Fighting AIDS Domestically and Abroad
In July 2008, Congress passed the Tom Lantos and Henry J. Hyde United States Global Leadership Against HIV/AIDS, Tuberculosis, and Malaria Reauthorization Act of 2008. The effort was bipartisan and preserved the core principles of the program that target our global AIDS efforts on treating individuals with HIV/AIDS. The bill authorized $48 billion over 5 years, which was an amount I believed was too high, given the competing demands for federal resources, but supported for the greater good of the program.

Just 5 years ago only 50,000 people living with HIV in all of sub-Saharan Africa were receiving treatment. Today more than 2.1 million people are receiving treatment, 4 million orphans and vulnerable children have been reached by the program, 16 million pregnancies have been supported by PEPFAR prevention of mother-to-child transmission services, prevention programs using the ABC (Abstinence, Be faithful, use Condoms) approach has reached 58.3 million people, and more than 57 million people have received counseling and testing services funding by the PEPFAR initiative. We have come a long way, and we still have a long way to go in fighting HIV/AIDS both domestically and abroad. I support adequate funding at the authorized level for the PEPFAR program to ensure that we continue our commitment to the global fight against HIV/AIDS through targeted strategies that focus on treatment.

October 30, 2009 the Ryan White HIV/AIDS Treatment Extension Act, a program to provide care and treatment to those within the United States living with HIV, was signed into law. The law establishes funding formulas that allow the funding to follow the patient and phases out hold harmless requirements which will ensure that in the future cities will receive equitable funding based on need, not politics. I was discouraged when the appropriations process dramatically altered the underlying, authorized funding formulas so that it now discriminates against rural states and areas where the disease is expanding. In addition, given recent press reports about the misuse of Ryan White funds, the Committee should conduct oversight with an eye toward eliminating waste and fraud in the program.

Currently 11 states have HIV/AIDS drug waiting lists under the program, including Arkansas, Idaho, Iowa, Kentucky, Montana, Nebraska, North Carolina, South Dakota, Tennessee, Utah and Wyoming, and 7 other states are expecting waiting lists in the near future as a result of the difficult budget climate. I support adequate funding for the Ryan White program to ensure that Americans are able to access life saving HIV/AIDS treatment that will allow them to live productive and healthier lives.

Education and Workforce

Promoting a lifetime of learning through strong federally funded education and workforce development programs is essential to America's ability to advance competitively in the global economy, particularly in a time of economic uncertainty.

Elementary and Secondary Education
It is anticipated that the Committee will focus on the reauthorization of the No Child Left Behind Act (NCLB). NCLB represents the most comprehensive overhaul of the federal Elementary and Secondary Education Act (ESEA) since its original enactment in 1965. It is the intention of the Committee to both maintain the key goals of NCLB and address its shortcomings as we work through the reauthorization process.

The Administration has proposed some bold changes to and restructuring of NCLB. Federal dollars must be focused on programs that have been proven to be effective in increasing student academic achievement and closing the achievement gap. This includes eliminating funding for programs that do not increase student academic achievement or are not otherwise meeting stated program goals. Any proposed new program should meet these same standards, including any new funding for the Race to the Top or Investing in Innovation programs. It is vital that the federal government fund its current liabilities under NCLB before creating or funding new programs.

I am pleased that the FY2011 budget request includes increased funding for Title I School Improvement grants. Coupled with this focus on school improvement we should reward teachers who help students meet and exceed grade level expectations. I support funding for the Teacher Incentive Fund (TIF) because it allows school districts and states to reward the most effective teachers. Research has proven that children taught by excellent teachers year after year show higher achievement over time than children taught by teachers with poor student outcomes.

The Committee should carefully balance the Administration's proposals to make a large number of programs competitive with the current formula grant structure in NCLB. It is vital that Congress fund a literacy program, especially to support literacy efforts in kindergarten through grade three. The Committee's reauthorization efforts should also increase the number of students who graduate from high school on time with the knowledge and skills necessary to succeed in both postsecondary education and the workforce. We must make sure that our students know what it takes to get into and succeed in college and are not "wasting" their high school senior year.

Early Learning and Head Start
For children to succeed in school, it is important that we promote school readiness through high quality early childhood education. Improving the Head Start program while maintaining its strongest components and comprehensive nature is critical to ensuring that young, disadvantaged children are equipped to learn when they enter school. In this time of limited federal resources, I firmly believe that any additional resources provided for the purpose of early childhood education should be provided for the Head Start and Child Care Development and Block Grant programs, and not for new initiatives.

Higher Education
The President's budget proposes a number of dramatic changes to federal student aid programs. These changes make a number of assumptions regarding projected savings and future outlays that are not supported by the facts. Consequently, I am concerned that the future effectiveness of federal student aid programs will suffer and student access to aid will become more difficult.

The budget assumes enactment of H.R. 3221, the Student Aid and Fiscal Responsibility Act (SAFRA), which would eliminate the Federal Family Education Loan (FFEL) program and move all federally-guaranteed student loans to the Department of Education's Direct Loan (DL) program as of July 1, 2010. Because more than 50 percent of all schools remain in FFEL, there is insufficient time and capacity at the Department of Education to successfully convert the 2,000 plus remaining schools to DL prior to this deadline. Ultimately more full time employees at the Department of Education would be needed to accommodate the increased workload. Instead, the responsible course to take is a one-year extension of the bipartisan, cost-neutral Ensuring Continued Access to Student Loans Act (ECASLA). Doing so would give Congress the time to thoroughly examine the future of federal student loan programs – including whether a shift to DL will result in increased loan defaults to the federal government. An ECASLA extension would also give parents and students confidence that they can continue to obtain low-cost, government-backed student loans.

The budget proposes to use the $51 billion over 10 years in projected savings from eliminating FFEL to convert the Pell Grant program into a mandatory spending program, increase the maximum award by the CPI + 1% and create several new education programs. However, it is unclear how any of these proposals will be fully funded as the projected cost of the Pell Grant expansion alone is $68 billion over 10 years. I am also concerned about how the President's budget will address the nearly $6 billion in unfunded Pell obligations for FY2010, as well as the expected "shortfall" in FY2011.

Before moving forward with any large scale changes to the Pell Grant program, it is imperative that the budget ensure all current Pell Grant obligations are met.

The President's budget proposes to make changes to the Income-Based Repayment (IBR) plan, which is only in its first full year of implementation. The proposal reduces the maximum monthly payment from 15 percent of a borrower's discretionary income to 10 percent, and forgives loans after 20 years instead of 25. The proposed changes would expand the number of individuals who might qualify for this repayment schedule, thus shifting a greater amount of the financial costs of higher education from the student-borrower onto the taxpayer. Congress should use caution when considering whether to expand an untested program, especially one that may have long-lasting negative fiscal consequences.

Finally, I am concerned that the proposed changes to IBR will shift a greater financial burden from the student-borrower to the American taxpayers, the majority of whom are not college graduates. Students willingly take out loans to pay for a college education, which according to the Census Bureau results in annual earnings twice that of an individual with only a high school education. Shifting the financial burden from those who directly benefit from a college education raises concerns about equity, and does nothing to address the larger problem of the rapidly increasing cost of a college education.

Special Education
The commitment under IDEA is to pay up to 40% of the national average per pupil expenditure (APPE) to offset the excess cost of educating children with disabilities. President Obama's proposed funding level for IDEA falls short of this goal, only funding the program at 17% of APPE. The American Recovery and Reinvestment Act did not fulfill the claim of providing "full funding" for IDEA because school districts that met specific provisions were allowed to reduce their local spending on special education and fall short of that goal. The Budget Resolution should move us along on the path set forth in the IDEA reauthorization to "fully fund" the program.

Job Training
The economic well-being of our nation depends on the skills of our workforce. 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. It is important to encourage economic development but if the workers with necessary skills are not available here, those jobs and companies will go elsewhere. A nearly ten percent unemployment rate presents an even greater imperative to modernize our workforce development system.

The Workforce Investment Act (WIA) is our country's primary federal job training program, but it has not been updated since its enactment over 12 years ago. We should reauthorize WIA this Congress to ensure workers have access to the education and skill training they need to be successful, and employers have the skilled workforce they need to be competitive. I am currently working with the Administration, my colleagues in the Senate and House to reauthorize WIA as an essential component of the federal education and workforce development infrastructure. We are looking at ways to enhance system coordination and alignment and provide for innovative strategies like sectoral and regional approaches that allow the workforce development system to be used as an economic development tool. The President's budget proposes a new $321 million Workforce Innovation Grants Fund. This fund would support emerging strategies and effective programs. The challenge will be to encourage innovation without eroding the base support for ongoing, effective programs, particularly those focused on youth.

Occupations that usually require a postsecondary degree are expected to account for nearly half of all new jobs from 2008 to 2018 and one-third of all total job openings. Workers without skills will not be able to take advantage of new job opportunities, any gains in employment will be short-lived, and employers will be unable to find the skilled workforce they need to grow and compete. Workers must be ready to fill these jobs by quickly acquiring new skills and having ongoing access to quality education and skills training so they can turn those jobs into careers.

Job Corps
The FY2011 budget request allows the Secretary to transfer up to 15% of funds appropriated for Job Corps construction, rehabilitation, and acquisition to be used for operations costs after June 2012. I hope that if this recapture occurs it will not delay or negatively impact the Department of Labor's goal of operating 127 Job Corps Centers, including the Riverton, Wyoming site and sites in Iowa and New Hampshire by 2013.

Low Income Home Energy Assistance Program (LIHEAP)
LIHEAP was last authorized by the Energy Policy Act of 2005 through fiscal year 2007. The FY2011 Budget proposes a new mandatory trigger mechanism, which was also proposed for FY2010, to provide automatic increases in energy assistance in response to increasing energy prices as well as changes in the number of families living in poverty. This type of proposal is best considered in a LIHEAP reauthorization bill.

Labor

Occupational Safety and Health
The safety and health of U.S. workers is a consistent high priority for the Committee. I have repeatedly noted that achieving safety in the workplace must entail more than regulatory enforcement. Employers have an incentive to encourage workplace health and safety, and the vast majority of American employers do seek to comply with the law and provide their employees with a safe workplace. OSHA has been successful in fostering this approach through its outreach and compliance assistance programs; as well through expansion of its Voluntary Protection Program and similar initiatives. These numbers continue a pattern in which the total recordable case injury and illness incidence rate among private industry employers has continued to decline significantly

each year since 2003. Additionally, the National Safety Council has estimated that, in 2007, Federal Agency Voluntary Protection Program (VPP) participants saved the government more than $59 million by avoiding injuries and private sector VPP participants saved more than $300 million. When workplaces make the significant commitment to safety required by VPP, it allows the Occupational Safety and Health Administration (OSHA) to focus its resources where they are most needed. Thus, the VPP program saves taxpayers in two ways, and creates safer workplaces. Given this, I am concerned that OSHA is downsizing the VPP program and is currently considering regulations to limit On-Site Consultations and the Safety and Health Achievement Recognition Program (SHARP), and will seek opportunities to preserve these valuable programs.

Davis Bacon and Other Federal Construction Issues
The Davis Bacon Act requires federal contractors to pay employees a prevailing wage determined by the Department of Labor from a voluntary, craft-specific local area wage survey. The law has already been extended to more than 60 federal statutes which provide construction funding. The American Recovery and Reinvestment Act extended prevailing wage requirements to every project contracted and subcontracted under the bill, slowing down much of the stimulus spending. This unwarranted expansion continues in spite of a 2004 Inspector General Report that found multiple errors in the Davis Bacon wage survey data and called into question the statistical integrity and methodology of the determination process. Moreover, there is a growing body of evidence, and an increasing public awareness that Davis Bacon mandates artificially inflate the cost of federal and federally assisted construction projects, and create barriers for participation by small and minority-owned businesses. These artificially inflated costs mean that taxpayers are receiving far less for their tax dollars than they would in a true market-based system. This waste of federal dollars also means that such projects are employing fewer workers in the construction industry than would be the case in a true market-based system. At a bare minimum, the methodology for determining prevailing rates should be immediately changed to a system that ensures statistical and mathematical integrity and accuracy. Beyond this, we should cease any further expansion of Davis Bacon mandates and undertake a thorough review of the increasing body of evidence that it artificially inflates government costs, and artificially reduces employment opportunities.

Beyond the problematic Davis Bacon mandates, I am equally concerned about the Administration's reversal of the policy of neutrality on government construction contracts and its official encouragement of a policy requiring private contractors to bind themselves to pre-hire union contracts, or so-called project labor agreements. Once again, I believe this policy discriminates against small and local contractors and drives up the costs of federal construction for U.S. taxpayers.

Preserving Individual Employee Rights
The right of employees to freely choose whether or not they wish to be represented by a labor organization in a government-supervised private ballot election has been a cornerstone of federal labor policy for nearly six decades. In the last Congress, this

hallmark of American industrial democracy was attacked and placed in serious jeopardy by legislation that would have deprived workers of the right to vote on this critical workplace issue in a free secret ballot election. The proposal is especially concerning given a recent empirical analysis which found that the increased unionization expected from a change to "card check" would increase unemployment by 1.5 to 3 percentage points in the first year alone – eliminating millions of jobs. 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 unacceptable. Employees that pay union dues are entitled to know how their money is spent, unions are obliged to report this data, and the federal government is required to collect it and make it readily available. We will resist any attempt to eliminate or limit this kind of financial transparency for our nation's workers or weaken enforcement of the current law.

Increasing Unfunded Mandates on Employers
Proposals which would greatly increase the cost of employing individuals would only exacerbate the current negative economic environment. Instead of discouraging businesses from hiring by increasing employment-related litigation, increasing liability exposure for such litigation, prohibiting dispute resolution procedures as a method for resolving workplace disputes, increasing taxes, or increasing penalties under current employment statutes such as the WARN Act; the Committee should be looking for ways to reduce the government-imposed red tape and increased costs that inhibit hiring. As any of the various proposals which would increase the cost of employment come before the Committee, or considered by the Senate, the full cost of the proposal for employers, especially small employers, should be fully understood by the Congress and our constituents. Proposals to mandate paid sick leave, paid family and medical leave, or other mandates cause uncertainty which leaves business owners reluctant to hire new employees. As a member of the Budget Committee, I recognize the Committee's important role, and the role the Congressional Budget Office plays in providing such transparency.

Retirement Security

In recent years, the Pension Benefit Guaranty Corporation (PBGC) has been plagued by billions of dollars in deficits. Back in 2006, more than 90 Senators supported the Pension Protection Act to ensure that companies keep the retirement promises that they make to their employees. That Act did help to reduce the PBGC's deficit by more than half. Subsequently, the downturn in the market as well as the PBGC's actions to take over 129 underfunded pension plans last year has caused the deficit to rise above $22 billion.

The PBGC is a government corporation but it is not backed by the full faith and credit of the federal government. Since 2003, the Government Accountability Office (GAO) has placed the PBGC on its "High Risk" watch list and PBGC's placement on this list was one of the reasons Congress passed the Pension Protection Act.

With the passage of the Pension Protection Act, I stated that a taxpayer bailout of the PBGC is not an option – and the same holds true today.

Thank you for your consideration of these issues. If you have questions and are unable to reach me, please have your staff contact Frank Macchiarola, Republican Staff Director, at 4-6770.

Sincerely,

Michael B. Enzi
United States Senator

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

March 9, 2010

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 2011 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 2011, I hope the following recommendations and comments will assist you in preparing a budget plan for the federal government. This letter addresses both matters related to the Department of Homeland Security (DHS) and agencies that fall under the Committee's Governmental Affairs jurisdiction.

Budget Overview for the Department of Homeland Security

The President's Budget Overview requests $43.6 billion in discretionary funding for the Department of Homeland Security in FY 2011, an increase of 2.7% over FY 2010 funding levels. Overall, this is a balanced and prudent request in an economically difficult time. Nonetheless, given recent reminders about the threats facing the United States, I believe there are a limited number of additional investments that should be made to address critical needs at the Department.

DHS Headquarters and Management

The Administration proposes moderate increases to the Department's headquarters and management offices, which play a vital role in implementing the Secretary's OneDHS policy and promoting the strategic and operational integration of the Department. Where not specifically noted, I support full funding for the budget requests made in these accounts. I am also pleased that the Department plans to realize substantial savings from the conversion of contractors to

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

federal employees in many of its headquarters and management offices, and is using these savings to fund critical new activities.

Office of Procurement. I support the President's request for $99.8 million for the Office of the Chief Procurement Officer. This amount includes $24.2 million in new funding to bring 100 new recruits into the Acquisition Professional Career Program, and will ensure that DHS expands workforce certifications in career fields of Test and Evaluation, Logistics, Systems Engineering, Cost Estimating and Financial Management – all key positions in ensuring the quality and value of acquisitions. These continued investments in DHS's acquisition workforce are needed to improve management of the cost, schedule and performance of the Department's acquisitions, which exceeded $13 billion in the last fiscal year.

Office of Chief Information Officer. The FY 2011 budget request continues to fund important DHS integration priorities for the Office of Chief Information Officer. I support funding the majority of the $398 million budget request that will go to important projects that will assist the CIO's office in providing enterprise solutions for the entire Department – including data center consolidation and e-mail as a service. The CIO's office should also be commended for their ongoing review of major IT projects, which will help get troubled projects back on track and ensure that projects funded across the department are meeting their goals.

Homeland Security Department Headquarters. The President's budget for DHS and the General Services Administration (GSA) includes a combined $743 million request for the DHS Consolidated Headquarters Project, which would continue construction at the St. Elizabeth's West Campus and allow DHS to lease space for its remaining components that cannot be housed at St. Elizabeths. I believe it is imperative that Congress continue its support for this important project, and view it as a critical cornerstone of efforts to improve management at DHS. Consolidating the majority of the Department's functions into one location is essential to establishing a unified DHS culture and boosting morale. Today, DHS is spread throughout 70 buildings across the National Capital Region, some totally inadequate for a vital federal department, making communication, coordination, and cooperation between DHS components a significant challenge. A business would likely fail if it operated in this way, and the status quo undermines the overarching homeland security mission.

Investing in a DHS headquarters is also a matter of fiscal responsibility and job creation. DHS and GSA broke ground at St. Elizabeths earlier this year with funds from the American Recovery and Reinvestment Act of 2009. If the DHS Headquarters Project is not fully funded, it could mean a significant delay or complete stoppage of work which in turn could cause hundreds of millions of federal stimulus dollars to be wasted and the jobs created by this project to be lost. Therefore I strongly urge the Committee to support the President's request for the DHS Consolidated Headquarters Project in both the DHS and GSA budgets.

DHS Office of Inspector General

The Department of Homeland Security needs effective oversight to meet its myriad substantive and organizational challenges, and I request that the Committee work to find

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

additional funds to fully empower the Department's Office of Inspector General. The Administration has requested $129.9 million for the OIG in FY 2011. The seeming increase reflects an accounting change concerning money typically transferred from the Disaster Relief Fund. When this is taken into account, the request is actually a small cut from current operations and does not include increases sought by the IG to keep pace with the Department's growth, particularly in U.S. Customs and Border Protection (CBP). Under the Inspector General Reform Act of 2008, the Administration is required to relay to Congress the comments of IGs who believe the budget request for their office will "substantially inhibit" their ability to carry out their mission. DHS IG Richard Skinner felt concerned enough to try to relay such comments, although they were not fully transmitted as they should have been. Skinner is seeking an additional $26 million and I urge that your Committee fund as much of this request as possible for this priority work. The Department's OIG has a critical mission and the extra investment will likely pay for itself by enhancing the OIG's ability to expose and correct waste, fraud and abuse regarding Department funds.

Homeland Security and First Responder Grants

Homeland security grants are a vital element of our national effort to prevent, prepare for, and respond to acts of terrorism and national disaster. State and local governments rely on them to protect their communities and keep their citizens safe. Given their importance, I am disappointed that the President's budget would reduce funding for homeland security grants to states and localities by over $300 million or nearly 8%. While some of these cuts are obscured by the inclusion of $200 million for grants to provide security for certain terrorism trials in civilian courts, which I believe are inappropriate, the Administration has proposed reducing funding for several programs, including the Assistance to Firefighters Grant (AFG) and the Staffing for Adequate Fire and Emergency Response (SAFER) programs. The Administration has also proposed eliminating a number of programs, including grants to fund medical preparedness for disasters that result in mass casualties and communications interoperability among first responders.

I urge that funding for homeland security grants be maintained at levels no lower than those of FY 2010 and, in a few cases, that there be modest increases in funding. I also strongly recommend maintaining those grant programs slated for elimination—in particular, those for medical preparedness and interoperability—rather than adopting the Administration's proposal to fold them into other, larger grant programs.

Firefighters. AFG and SAFER grants provide essential funding to fire departments across the country. These are effective, competitive, peer-reviewed programs that help build much-needed capacity. AFG has enabled departments to get essential training, equipment, and vehicles; and SAFER has allowed departments to hire sufficient staff to protect their communities around the clock. Consequently, I am dismayed that these programs would suffer some of the largest reductions among grant programs. AFG would be reduced 22% from last year—and, if the proposed cuts occur, a total of 46% from FY 2009. Funding for SAFER would decline by 27% from last year.

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

These cuts are particularly troubling given the obvious need for these funds. In fact, if anything the volume of requests suggests that much more funding is needed. In FY 2009, for example, AFG received more than $3 billion in applications for the $565 million then available.

In a time of highly constrained local budgets and continued high unemployment rates, programs that support and employ first responders warrant continued support. For these reasons, I urge you to fund SAFER and AFG each at $390 million in FY 2011. Though an increase over the President's proposed budget, this would maintain AFG funding at the FY2010 level – still well below the funding that AFG received in FY 2009 – and provide a significantly smaller cut in SAFER funding than the Administration has proposed.

SHSGP and UASI. The State Homeland Security Grant Program (SHSGP) and the Urban Area Security Initiative (UASI) are the two largest homeland security grant programs. SHSGP provides all states with basic, multipurpose preparedness funds while UASI targets essential funding to the nation's highest risk metropolitan areas. Both programs would receive nominal increases in the President's budget. However, the proposed increase in UASI funding is comprised almost entirely of up to $200 million that is set aside to provide for the enhanced security that would be needed to try Khalid Sheikh Mohammed and the remaining suspects in the attacks of 9/11 in New York City. Because I believe that enemy combatants should not be tried in civilian courts, I am strongly opposed to the proposed use of UASI grant funds for this purpose. That money, I believe, would be better used to address the other urgent homeland security needs discussed in this letter.

As for SHSGP, the Administration proposes eliminating funding for several other grant programs—including the Interoperable Emergency Communications Grant Program (IECGP), Metropolitan Medical Response System (MMRS), Citizen Corps Program, and Driver's License Security Grants Program—and allowing states and localities to use their SHSGP funds to cover these expenses. However, the proposed $100 million increase in SHSGP falls considerably short of the funding necessary to maintain current spending levels for the targeted grant programs.

In FY 2010, SHSGP received an appropriation of $950 million (including $60 million for Operation Stonegarden grants) and UASI was funded at $887 million. The Implementing Recommendations of the 9/11 Commission Act of 2007, which enacted these two programs into law, authorized appropriations in FY 2011 of $950 million for SHSGP and $1.15 billion for UASI. I recommend that SHSGP and UASI be funded at no less than FY 2010 levels and, if possible, at the full authorized amounts. Also, as discussed in more detail below, I believe it is important to maintain certain important targeted grant programs such as IECGP and MMRS and not put new demands on UASI and SHSGP, particularly without the funding necessary to do so.

Medical Preparedness. MMRS supports preparedness for mass casualty events—whether as a result of a natural disaster or a terrorist attack—and brings together hospitals, government officials, and first responders to do critical planning before a disaster strikes. Each of the 124 MMRS jurisdictions serves to coordinate local and state pandemic flu plans, maintains a stockpile of chemical and biological agent antidotes allowing local first responders to operate under otherwise dangerous conditions, and is charged with the responsibility of developing plans

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

for the rapid movement of patients when disasters occur. Last year, each MMRS jurisdiction received less than $300,000, yet even with these modest funding levels, the MMRS system played an important role in many communities' response to the H1N1 pandemic flu.

In its FY 2011 budget, the Administration has proposed eliminating funding for MMRS and instead relying on already overextended states and cities using their SHSGP and UASI awards for medical preparedness and response – a proposition made even more challenging because many of the existing MMRS jurisdictions are not aligned with either state or UASI area boundaries. I think this would be a mistake.

The scope of the terrible tragedy in Haiti, as well as the findings of the Commission on the Prevention of Weapons of Mass Destruction Proliferation and Terrorism concerning the likelihood of a biological attack, make clear the importance of a mass casualty preparedness program like MMRS. Rather than eliminating the program, I strongly recommend that funding for MMRS be continued at no less than the modest $41 million appropriated in FY 2010 and, if possible, increased to $75 million, which would allow the program to expand and ensure that every state and UASI city could participate.

Interoperability. Communications interoperability is vital for disaster response and other homeland security and public safety needs. I was therefore disappointed that the President's budget request eliminated funding for IECGP. Instead, the Administration has suggested that SHSGP and UASI funds be used to address interoperability needs. Congress created IECGP largely because interoperability needs have taken up a disproportionate amount of other DHS grant programs, diverting funds from other needs. While IECGP has been funded well below its authorized level, it has been an important tool in helping states implement their Statewide Interoperability Plans and advance governance structures that are essential for cooperation among federal, state and local entities. While ideally I would like IECGP to be funded at its authorized level of $400 million in FY11, I recognize that fiscal constraints make full funding difficult. I urge that IECGP be maintained as a separate grant program and that it be funded at least at the level of its FY 2010 appropriation of $50 million.

Emergency Management. The Emergency Management Performance Grants (EMPG) program helps state and localities build the capabilities to be prepared for both natural and man-made disasters, and has traditionally focused particularly on planning efforts. I support the President's request for a slight increase, to $345 million, in funding for this important program.

Transportation Security Grants. Congress has recognized that our ports and transit systems still have substantial vulnerabilities. In legislation over the last few years, Congress has identified hundreds of millions of dollars worth of needed security improvements: the SAFE Port Act of 2006 authorized $400 million annually for port security grants, while the 9/11 Commission Recommendations Act authorized $900 million for transit security grants. Congress followed up on this authorizing legislation by appropriating $400 million for each of these programs in FY 2008 and FY 2009. In FY 2010, the appropriation for each of these programs was reduced to $300 million – but it was effectively supplemented by funds from the American Recovery and Reinvestment Act (ARRA), which included $150 million each for port

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

security and transit security grants. (While ARRA port security and transit security funds were appropriated in FY 2009, the first grants were not awarded until late in that fiscal year and for the most part would generally not have been disbursed before FY 2010). The Administration's proposed FY 2011 budget nominally maintains FY 2010 funding levels for these two key security programs – $300 million each – but without the availability of the additional ARRA funds, the effect is a substantial decrease in funding levels from previous years.

While I recognize that it may not be possible to fund transit security grants at the previously authorized levels, given the well documented threats to these systems, I urge the Committee to provide at least a modest level of additional funding for the Port Security Grant and Transit Security Grant programs beyond the President's request– $345 million each.

The Administration has also proposed eliminating funding for over-the-road bus security again, for which Congress authorized $25 million in FY 2011 in the 9/11 Commission Recommendations Act, and which was funded at $12 million in FY 2010. I believe there remain unmet needs in this field – such as training, exercises, and other security improvements identified in the 9/11 legislation – that should be supported. Therefore I recommend that the Committee provide $10 million for this program in FY 2011.

Federal Emergency Management Agency (FEMA)

Following Hurricane Katrina, Congress passed the Post-Katrina Emergency Management Reform Act of 2006 ("Post-Katrina Act"). Responding to the findings of an extensive HSGAC investigation that the government was woefully unprepared to deal with a national catastrophe and FEMA lacked essential capabilities and resources, the Post-Katrina Act sought to create a new FEMA – a stronger, more robust entity that would, for the first time, be equipped to prepare for, respond to, and recover from a true catastrophe.

In years since Hurricane Katrina FEMA has received much needed increases in resources that have been essential in the process of implementing key provisions of the Post-Katrina Act. But those increases were not enough to complete the new FEMA. Last year FEMA's appropriations for management and administration were essentially flat, leaving little to nothing for building the new FEMA. Similarly, for FY 2011, the Administration fails to seek any additional funding for FEMA's continued development. For example, no funds are requested to staff increases in areas such as operational planning, acquisitions, grants management, and logistics management.

This is disappointing given recent reports showing FEMA's continued need for additional resources. For example, an October 2009 report by the National Academy of Public Administration found that FEMA had insufficient capability in its regional offices and that regional officials routinely cited lack of staff as one of their major challenges. A March 2008 report by the DHS Inspector General repeatedly emphasized that budget shortfalls and staff shortages were negatively affecting FEMA's progress in building its capacity to respond to a catastrophe. Another 2008 DHS OIG report similarly concluded that FEMA had not yet met the Post-Katrina Act's requirement to establish a logistics system, and that FEMA needs to continue hiring and training acquisition personnel, and develop reliable, integrated financial and information systems.

Given the extensive remaining needs at FEMA, I recommend at least a modest increase in the FEMA Operations Management and Administration (OMA) account for FY 2011 to help ensure that FEMA continues to build the capabilities it so painfully lacked in the response to Hurricane Katrina. I understand that FEMA expects to deliver the results of its study of human capital resources, that was required in the Department of Homeland Security Appropriations Act for FY 2010, to Congress on June 30, 2010. I look forward to the results of that study, and believe that the study's findings will be helpful in ensuring that any additional OMA funds are allocated effectively to meet the greatest needs.

Additionally, the President's budget request does not include any specific funding for the private sector preparedness certification program required in section 901 of the 9/11 Commission Recommendations Act of 2007. As the response to Hurricane Katrina and other disasters demonstrates, it is vital to include the private sector in our preparedness activities and, without dedicated funding, I am concerned that this program will not be properly implemented, leaving us more vulnerable to terrorist attacks and other disasters.

Pre-Disaster Mitigation Fund. Mitigation has proven to be a cost-effective measure. In 2007, the Congressional Budget Office (CBO) found that future losses are reduced by about $3 for each $1 spent on mitigation efforts supported under the PDM program. Moreover, CBO found that PDM-funded projects could lower the need for federal post-disaster assistance so that the federal PDM investment would actually save taxpayers money in terms of the federal budget. Given the demonstrated benefits of mitigation, HSGAC reported out a bill in 2008 that would have authorized funding of $230 million for the PDM program for FY 2011. I recognize that reaching this funding goal is likely not feasible this year given overall constraints on the budget, but I nonetheless urge you to fund the PDM program at least at FY 2010 levels and higher if possible.

Emergency Food and Shelter. This important and highly effective program provides emergency assistance to supplement community efforts to meet food, shelter, and other related needs of homeless and hungry persons to all fifty states. Although this is always an important program, given the current economic downturn, this program is even more important this year. In FY 2010, $200 million was appropriated for EFS. I was dismayed to see that the budget request only seeks $100 million in FY 2011 – a 50% cut in funding. I believe this program should be spared this drastic cut and be funded at $200 million, as it was in FY 2010.

Border Security and Immigration

While I generally support the funding levels in the President's request for Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE), I am concerned that the border security funding in the FY 2011 budget submission includes cuts to several programs that are a vital part of our efforts to deny terrorists the ability to travel. Specifically, the President's budget would zero out funding for the Global Advance Passenger Information

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

program (Global API), does not include any funds for continuing to expand the Visa Security Program at high risk consular posts abroad, and does not include funding for the deployment of a biometric exit system.

Global API. Global API is a small but vital program that seeks to provide the U.S. government with information about flights that do not have a nexus to the United States. This program seeks to match airlines' Passenger Name Record (PNR) data on international flights, which is made available to CBP 72 hours before departure, with a wide variety of government databases including the terrorist watch list. Although PNR data usually does not have some significant identifying fields, this program gives CBP an important opportunity to begin pre-screening international flights well in advance of travel. I believe this program remains valuable, especially in the wake of the Christmas Day attack. I support adding $3 million to CBP's Salaries and Expenses account in order to fully fund this program's continued implementation.

Visa Security Program. The Visa Security Program (VSP), mandated by the Homeland Security Act, gives DHS limited authority to oversee the Department of State's consular officers abroad in connection with the granting or refusal of visas and authorizes DHS to deploy investigators at consular posts abroad. Although DHS and State have identified 57 high-risk consular posts abroad, only 14 of them have received Visa Security Units (VSUs). The Christmas Day attack highlighted the importance of having adequate security measures in place at consular posts abroad. I believe that the VSP is an essential tool for denying terrorists access to travel, and I was disappointed that the President's budget includes no funding for expansion of this program in FY2011. I urge that Congress provide ICE with $15 million above the Administration's request to continue expanding the VSP to 8 additional high-risk consular posts in FY 2011.

SBINet. Additionally, I believe that the President's budget request for border security needs to more effectively target federal resources to the threats our nation faces. Although border technology and infrastructure programs have received over $3 billion dollars since FY 2007, the Department has once again delayed the troubled implementation of the first 50 mile stretch of "virtual fence" until the end of calendar year 2010. The Administration has requested $574 million to finish deploying this first installment of the "virtual fence." Over the past three years, I have expressed concern over the vagueness of the plans proposed by the Department to implement this border security initiative and cautioned against awarding a multiyear, multibillion dollar contract to a single contractor. I continue to have concerns about this program's implementation, and I recommend that Congress fence off the requested funding pending a thorough review of the program launched by Secretary Napolitano in recent weeks.

Border Patrol and CBPO staffing. Given our severe budgetary constraints, I support the Administration's plan to reduce Border Patrol by 189 positions through attrition. Secretary Napolitano testified before HSGAC that this reduction would not affect the number of agents deployed to the Northern and Southern borders and would maintain a staffing level of 20,000 agents for the Border Patrol—an increase of 133% since the end of FY 2000. I am concerned, however, that our staffing levels for CBP officers at the ports of entry (POE) have suffered as a result of a decrease in fee collections. Many experts believe that the ports of entry represent a

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

greater threat to homeland security than the land border, something that was underscored by the Christmas Day attack, yet the ports of entry have received a steadily decreasing percentage of the overall CBP appropriation since 9/11.

Violence at the US-Mexico Border. While the Christmas attack has focused our attention on the threat posed by terrorists abroad, I am also greatly concerned by the rapid increase in violence among the drug cartels in Mexico. This gruesome violence has claimed the lives of over 15,000 people in the last two years, and murder rates have been increasing over this period. I am saddened that this violence continues, and that despite our government's best efforts, the cartels continue to wage war against the Government of Mexico. As the cartels become increasingly ruthless, these narco-terrorists may turn their attention to the U.S. side of the border. In fact, attacks on Border Patrol agents are becoming more common and more severe, resulting in the tragic murder of an agent in Campo, California last year by smugglers. I am disappointed that the President's budget proposes eliminating fifty non-recurring CBP officer positions detailed to southbound inspections, as these inspections are a crucial aspect of our efforts to support the Mexican Government's efforts and to hit the cartels where it hurts them the most – taking away their access to the guns and cash they need to survive.

I recommend increasing funding for border security at the ports of entry by $25 million over the FY 2010 appropriation. This funding would be used to deploy 150 officers to better target travelers coming to the United States, to expand the implementation of the Immigration Advisory Program at foreign airports, and to continue to implement a robust southbound inspections program.

Detention and Alternatives to Detention. Beginning in the 109th Congress I have introduced legislation, The Secure and Safe Detention and Asylum Act, to address the mistreatment of asylum seekers and other ICE detainees in county jails and other detention facilities. One important provision of the legislation, which passed the Senate in 2007 as an amendment to immigration reform legislation, requires the nationwide expansion of the Alternatives to Detention (ATD) program. The ATD program not only ensures humane treatment of non-criminal aliens who pose no flight risk or threat to public safety, but it could also save the U.S. taxpayer tens of millions of dollars. Where detention facilities on average cost ICE well over $100 per person per day, the agency's ATD program has incurred an average cost of approximately $14 per person per day, and the average cost will come down as the program is expanded and consolidated under one contract.

The ATD program will save even more money as ICE works with the Department of Justice Executive Office for Immigration Review to expedite the review of aliens enrolled in the ATD program. According to DHS, the ATD program has achieved a high success rate for ensuring appearances at immigration hearings and compliance with removal orders. DHS has committed to nationwide expansion of ATD as an element of its plans for detention reform, but the Administration's budget request seeks only a small increase in ATD funding of $2 million, from $70 million enacted for FY 2010. This amount falls far short of the agency's estimates of the cost of nationwide expansion. Accordingly I recommend that funding for ATD be increased by $40 million over last year's levels, to $110 million. As ICE realizes additional cost

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

efficiencies I believe this increase would permit a corresponding reduction in funding for detention beds, for which the Administration has requested $1.9 billion.

Transportation Security Administration

Aviation Security Programs. This budget proposes increasing TSA's aviation security budget by more than $900 million in FY 2011 in order to enhance a multitude of aviation security programs. I strongly support proposed programmatic increases to TSA – $220 million for Advanced Imaging Technology and Whisper Communications equipment, $142 million more for EDS and ETD equipment, $457 million more for additional Transportation Security Officers, Behavior Detection Officers, Federal Air Marshals, and necessary support staff, $40 million for International Security programs, $7 million for intelligence and information sharing coordination, and $78 million more for canine teams. I urge the Committee to fully fund these requested increases.

Surface Transportation Security Programs at TSA. The President's budget includes a $27 million increase for surface transportation security programs. This fully funds a number of programmatic increases initiated in last year's Homeland Security budget and appropriations, including funding for additional VIPR Teams and Surface Transportation Security Inspectors. I strongly support this full funding of TSA's existing surface transportation security programs.

Port and Maritime Security

Port and cargo security remains an important layer in the U.S. maritime and homeland security system. As I have noted previously, an attack on a U.S. port would damage our critical infrastructure and have devastating consequences for our economy. Two of CBP's port and cargo security programs which contribute directly to our maritime security would undergo significant transformation under the proposed budget, which concerns me. I have long supported the Container Security Initiative (CSI) and the Secure Freight Initiative (SFI), both of which were authorized by legislation passed by the Homeland Security and Governmental Affairs Committee. The President's budget requests just $84.4 million for International Cargo Screening, cutting $77.5 million from these programs compared to FY 2010. That includes a $50.7 million decrease for the Container Security Initiative and a $16.6 million decrease for the Secure Freight Initiative. It also includes a $10.8 million cut that would eliminate CBP's access to some financial and trade databases, a cut that I support.

Container Security Initiative. According to the budget, CBP would maintain operations in all 58 CSI ports in 2011, but would realize cost savings by shifting CSI personnel currently stationed overseas, at the CSI ports, back to the United States at the National Targeting Center. The program would rely on "remote targeting… remote examinations and image analysis, and greater reciprocal examination relationships with host governments." While I am not inherently opposed to redistributing personnel under the CSI program – in fact it is a subject I and other Senators have discussed with the agency several times over the years – the Administration has provided Congress with no plan regarding this shift in operations; nor have they been able to reassure the Committee that a minimum number of U.S. personnel will continue to work

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

overseas with their counterparts to enforce the "trust but verify" credo that has been a hallmark of CBP's international screening programs. Until Congress has reviewed CBP's plan to reform the CSI program, I am concerned by the proposed cuts, and recommend that the Committee fully fund the CSI program, with $151 million, in FY 2011.

Secure Freight Initiative. The President's budget also proposes reverting the three remaining ports participating in the Secure Freight Initiative to CSI protocols, which would not require 100% scanning of all cargo, and instead require that only high risk cargo be scanned before it is bound for the United States. The Secure Freight Initiative was created in response to a legislative provision included in the SAFE Port Act of 2006, which required that CBP implement a pilot program to scan 100% of all cargo coming from at least three foreign ports. Congress subsequently required, as part of the Implementing Recommendations of the 9/11 Commission Act of 2007, that all cargo be scanned before departure for the U.S. no later than 2012.

However, Secretary Napolitano has testified before Congress that the Department will be unable to meet that deadline, and that she expects to use the authority provided to her in the 9/11 legislation to waive the deadline. While I understand and agree with the Secretary's determination, I do not believe we should altogether abandon our efforts to scan more cargo containers, and I remain committed to the concept of the Secure Freight Initiative as a test bed for new solutions for improving cargo security. Therefore, I recommend the Committee fund the Secure Freight Initiative in FY 2011 at $19.8 million, the same level as in FY 2010. CBP may still determine that some or all of the existing SFI ports shall utilize CSI protocols instead, but the additional funding could be used to identify new ports, or new solutions to test at existing CSI or SFI ports, for scanning a greater percentage of cargo containers.

United States Coast Guard

I am extremely concerned by the proposal in the President's FY 2011 budget to cut $75 million from the Coast Guard and to downsize 1100 billets, or uniformed personnel. Since September 11, 2001 the Coast Guard has been repeatedly asked to assume an expanding homeland security mission. I believe the Coast Guard is uniquely suited to the maritime homeland security mission, and that Congress and the White House acted appropriately when entrusting homeland security missions to the agency. I am mindful the Coast Guard must also continue to perform its traditional missions – from search and rescue to drug interdiction to fisheries enforcement – but I believe that the agency can and should manage both its homeland and traditional missions, and that Congress should support the agency in this endeavor, and provide it with the necessary resources to succeed.

At a minimum, I urge the Committee to reject the proposed budget ($75 million) and personnel (1100 FTE) cuts, and provide the agency with an additional $40 million for a second Maritime Patrol Aircraft (HC-144A) for Station Cape Cod, to make up for the HU-25 (Falcon) that the agency plans to retire from that station in FY 2011. The Cape Cod Air Station provides services and security to the entire Northeast and frequently assists other regions when needed. The current plan to retire the fourth Falcon stationed in Cape Cod without replacing it with a new Maritime Patrol Aircraft will leave the station and the region with little-to-no flexibility. This

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

money will allow the agency to retain the 1100 billets it would otherwise have to cut, even if it still chooses to decommission particular assets like some of the older High Endurance Cutters.

I am also open to considering a plan by the Coast Guard to regionalize its Maritime Safety and Security Teams (MSST), but I have serious concerns with the agency's plan to decommission the MSST in New York, and I urge the agency to reconsider that plan. The additional funding will allow the Coast Guard to preserve all or some of the MSST's, five of the helicopters it proposes to decommission, and at least two of the High Endurance Cutters. If the Coast Guard moves forward with decommissioning the other, older High Endurance Cutters, the agency can still use the billets ostensibly "associated" with those cutters to perform other duties, like marine facility inspections, until new assets are commissioned.

Federal Protective Service

The Federal Protective Service (FPS) is responsible for the security of more than 9,000 federal buildings and the more than 12 million federal employees working in those buildings. The agency has struggled in recent years to fulfill its mission, partially because, I believe, it lacked adequate resources and personnel. Despite those struggles, the President's budget proposal does not include an increase for this important agency to help it fully meet its responsibilities.

In July 2009, GAO completed an alarming review of the FPS, after visiting 10 high security federal buildings and smuggling readily-available IED components through security. While there are many factors that contributed to these failures, GAO highlighted the agency's gross inability to adequately oversee its contract guard workforce as a primary factor. In the FY 2008 DHS Appropriations Act, I fought to include a provision that required FPS to maintain no fewer than 1,200 FTEs, including at least 900 law enforcement officers. GAO's reports and statement at the HSGAC hearing in July 2009 make it clear that FPS needs more law enforcement personnel. FPS has nearly completed a human capital study and plan, but I believe the FPS budget needs to be augmented to provide the agency with additional flexibility and manpower. Therefore, I do not support the President's proposal to strike the legislative requirement that the FPS maintain a staffing floor, or the proposed flat budget for FPS in FY 2011. Instead, I ask that an additional $15 million be provided to the FPS, so that it may hire an additional 100 federal law enforcement and support staff.

U.S. Secret Service

The Secret Service's budget includes an $8 million adjustment to base to fund a modernization effort within the Uniformed Division of the Secret Service. Last year, the Senate passed legislation (S. 1510) to authorize these proposed changes. The legislation would establish a new salary schedule for Uniformed Division personnel, assisting with recruitment and retention, and gives the Director authority to hire new officers at a higher rate, if they have superior qualifications, among other things. I fully support the President's request to fund this effort and recommend the Committee maintain this funding.

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

In 2008, a National Security Agency (NSA) Blue Team found that the Secret Service's computer systems were fully functional approximately just 60% of the time, compared to industry and government standards around 98%; they recommended more than 30 critical reforms. According to supplemental budget documents submitted to Congress last year, as well as the agency's five-year budget plan, the Secret Service expected to spend $772 million on information integration and transformation programs between 2009 and 2015, including more than $187 million in FY 2011, to improve communication with the White House Communications Agency, upgrade access controls, and modernize the agency's IT systems and their forensic and investigative technologies, helping to resolve the myriad problems identified by the NSA. Unfortunately, the Administration's budget proposal for FY 2011 only includes $69 million for the Secret Service's various IT modernization projects, or roughly one-third of what had previously been planned for. I recommend that the Committee provide the Secret Service with additional funding of $25 million – $94 million in total – for this purpose.

Science and Technology Directorate and Domestic Nuclear Detection Office

The Administration's FY 2011 request proposes to shift $109 million and 12 full-time positions from the Transformational R&D program at the Domestic Nuclear Detection Office (DNDO) into the Department's S&T Directorate (S&T). I strongly support this proposal, which will enhance the integration and coordination of the Department's WMD-related research and development efforts. This transfer of funding and expertise will also allow S&T to resurrect its Nuclear and Radiological Countermeasures Division, and to resume R&D to develop next-generation response and recovery capabilities which can help first responders save lives following a nuclear or radiological terrorist attack.

However, the FY 2011 request disappointingly proposes to slash the S&T budget by 12 percent after adjusting for this transfer from DNDO. The proposed cuts would force S&T to stop or curtail existing R&D programs that focus on improving border security, cyber security and aviation security as well as developing new detection technologies to protect rail, intermodal and mass transit systems. This would roll back the incremental efforts that Congress has made in recent years to restore S&T's funding base. Instead, I propose funding the S&T Directorate at a level $65 million greater than the Administration's request, which would restore a significant share of the funding for critical R&D programs in the other divisions of the S&T Directorate.

Infrastructure Protection and Cyber Security

Chemical Security. Facilities that make or use dangerous chemicals continue to present a critical homeland security priority. The Department is moving ahead with its new chemical site security program, the Chemical Facility Anti-terrorism Standards or CFATS, and the Administration is requesting $105 million for this effort in FY 2011 (as well as ammonium nitrate regulation). I strongly urge the Committee to provide at least that amount for the program. The Department is currently entering the most intensive phase of the program – reviewing the proposed security plans of the riskiest chemical facilities and conducting site inspections. It is critical the Department continue to receive adequate funds to conduct this work and acquire additional expertise with which to evaluate and advise on security at the varied enterprises that use and store dangerous chemicals.

Cyber Security. After years of increases for cyber security, the President's FY 2011 budget proposes a 5 percent reduction for the DHS National Cyber Security Division (NCSD). The Department has made considerable progress due to past funding, but it still needs to dramatically increase its skilled cyber security personnel and core capabilities. Key information systems in the private and public sectors are penetrated every day, and our defenses against computer attacks and data theft undeniably need improvement. Due to NCSD's broad mandate to protect government and private networks, I recommend that its budget be no less than $387 million, the funding level for FY 2010 excluding earmarks.

Intelligence and Operations

I fully support the classified requests totaling $347 million for the Department's Office of Intelligence and Analysis (I&A) and the Office of Operations Coordination within the Analysis and Operations (A&O) account. I am pleased that the Department requests additional funding to increase the number of I&A personnel deployed to state and local fusion centers within its request and support the additional funds requested. I am also encouraged by I&A's plans to reduce its use of contractors and increase its number of full-time employees, which would provide I&A significant savings in FY 2011.

The Office of Operations Coordination is included within the classified A&O account even though none of its activities are funded as part of the National Intelligence Program and the programmatic details of its budget request are not classified. I urge the Committee to consider moving funding for this office to a separate, unclassified account in order to facilitate oversight and transparency into its activities.

Governmental Affairs Programs and Agencies

The remainder of this letter addresses funding provided to Departments and agencies within the Committee's Governmental Affairs jurisdiction.

Privacy and Civil Liberties Oversight Board

I remain deeply concerned that the Administration has not yet nominated anyone for the Privacy and Civil Liberties Oversight Board, created by the 2004 Intelligence Reform and Terrorism Prevention Act, and reconstituted by the 2007 Implementing Recommendations of the 9/11 Commission Act. The 9/11 Commission recognized that the vital work of combating terrorism could tread dangerously close to intruding on core rights and liberties, and urged creation of this Board to help advise on and review the nation's policies against terrorism with an eye toward safeguarding key freedoms. While we applaud the hard work of the original Board, in 2007 Congress concluded that the panel needed more independence and reconstituted it as an independent agency outside the Executive Office of the President. Unfortunately, the effort to create a stronger Board has, thus far, resulted in no board at all. I once again urge the President to

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

put forward nominees for the Board without delay, and I urge the Budget Committee to fund it at a robust level. The authorizing legislation originally recommended funding of $10 million by FY 2011. While it is questionable that a new Board could effectively spend that much in its first year, I recommend that the Board receive funding to begin as strongly as feasible, certainly above the President's request of $1.68 million.

Office of Electronic Government and the Electronic Government Fund

This year the Administration requested $35 million in the General Services Administration (GSA) budget for the E-Government Fund for the establishment of pilots relating to cloud computing, collaborative platforms, and transparency and participation. In FY 2009 the Administration rolled out a number of ambitious initiatives, including data.gov, the IT Dashboard, and apps.gov, which have increased transparency and have begun to illustrate the potential for reducing costs and increasing transparency across the government by using Information Technology. The additional funds requested for FY 2010 will be used to further modernize government systems and pave the way for greater savings. For that reason, I fully support the Administration's request for $35 million for this effort.

In addition, the Administration has requested $50 million for the Integrated, Efficient and Effective Uses of Information Technology fund in the budget for the Office of Management and Budget (OMB). These funds would both further implement pilots originally developed under the E-Government Fund and would assist with project management and guidance for IT projects. While I believe this is an important goal and support the amounts requested, this funding should be included with the $35 million for the statutorily-created E-Government fund – which is required to report to Congress on its expenditures. Funding these initiatives, along with the additional project management tools, will lower costs and allow departments and agencies provide additional services in less time. As a result, we will see more results from funds requested for information technology and greater savings in future fiscal years.

Given the important role of the E-Government Office in managing these funds and their additional responsibilities, I also believe that the Congress should increase the appropriation for the Office of Management and Budget to allow for additional staff for this office. Currently, the E-Government office has approximately six staff members with the statutory responsibility to manage the information technology budget across the entire Federal government – which will add up to over $79 billion in the FY 2011 budget request. In addition, the E-Government Office has responsibilities – shared with the Department of Homeland Security – over the security of Federal information systems, but has limited staff to assist in this key priority. Given the office's role, I recommend that the budget for the Office of Management and Budget be increased by $3 million to allow for the hiring of additional staff.

Modernization of Acquisition Systems

I also support the President's request for an additional $20.5 million for the General Services Administration for the purpose of modernizing the Integrated Acquisition Environment (IAE), which consists of eight major data systems, including the Federal Procurement Data

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

System, Federal Business Opportunities (FedBizOpps.gov), the Excluded Parties List, and the Past Performance Information Retrieval System. These systems support over 40,000 federal procurement professionals, 600,000 vendors, over $523 billion in annual procurement spending, and over eight million transactions per year. Unfortunately, despite depending on the same underlying data, these systems were developed over the years in a stove-piped manner and therefore are disjointed and difficult to use. Modernization of IAE will help the federal acquisition workforce make smarter contracting decisions and ensure that contracts are not awarded to irresponsible parties or to companies that have been debarred or suspended. In addition, providing easier access to information about federal procurement opportunities would enhance competition by attracting a larger pool of potential bidders. And finally, an IAE would provide greater transparency to the American public and the Congress on federal contract spending. I am convinced that this investment in IAE will pay for itself over time.

Acquisition Workforce

The President's budget requests $24.9 million for the General Services Administration for government-wide efforts to strengthen the acquisition workforce through better training, certification, and workforce management. The number of acquisition professionals in the federal government simply has not kept pace with the explosive growth in federal contracting over the last decade. Moreover, more than half of the acquisition workforce will be eligible to retire over the next eight years. We therefore are fast approaching a crisis unless we recruit and train a skilled workforce that can promote competition, get the best value for the government, and guard against waste, fraud and abuse in federal contracting. I understand that there may be some unobligated balances in the Acquisition Workforce Training Fund that may be available to help fund the President's proposed initiative. While taking those funds into account, I urge the Committee to provide a sufficient amount to fund the proposed initiative.

Office of Federal Procurement Policy

I am extremely concerned that the Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget lacks adequate personnel to carry out its mission of providing overall government-wide direction for procurement policies, regulations, and procedures. While total federal spending on goods and services has risen dramatically over the last decade, from $147 billion in 1989 to over $523 billion in 2009, the staffing level at OFPP has remained stagnant at roughly a dozen FTE's, including administrative support. Both under legislative mandate and at President Obama's direction, OFPP is responsible for reducing waste and abuse in contracting by promoting competition, preventing misuse of cost-plus contracts, bringing rationale to the interagency contracting process, mitigating conflicts of interest, and ensuring that inherently-governmental work is performed by federal employees. Each of these areas is highly complex and requires strong government-wide leadership from OFPP to bring greater efficiency and integrity to federal contracting. I therefore recommend that, at a minimum, the appropriation for OFPP be doubled, from $3 million to $6 million.

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

United States Postal Service

The Postal Service continues to experience accelerated declines in mail volume and revenue, primarily due to the current economic crisis and the electronic diversion of mail. In fiscal year 2009, the Postal Service recorded a loss of $3.8 billion and USPS ended the first quarter of this fiscal year (October 1 to December 31, 2009) with a net loss of $297 million. The Postmaster General recently indicated that, without substantial changes, losses will be even more substantial going forward.

Therefore, as Congress works with the Postal Service on long term solutions, I recommend that we consider providing the Postal Service with additional financial relief in FY 2011. One option, recommended by the Postal Service (USPS), is to allow USPS to restructure its required payments into the Postal Service Retiree Health Benefits Fund. Currently, the Postal Accountability and Enhancement Act (P.L. 109-435) requires the Postal Service to pre-pay its retiree health benefits obligations for future retirees into the Fund, while it makes payments for current retirees. Thus, restructuring the Postal Service's payments into the Fund would provide USPS with financial relief during this economic downturn.

Postal Service Financial Relief (and Other Legislation) Reserve Fund

I also recommend that a reserve fund be included in the Budget Resolution to accommodate for the budgetary impact of possible legislation to provide financial relief to the Postal Service (as discussed above) and any other legislation under consideration by this Committee affecting the terms and funding of certain employment benefits of Federal civilian personnel.

National Archives and Records Administration (NARA)

I support the $460 million in the President's budget request for the National Archives and Records Administration (NARA). The role of the National Archives in protecting and preserving our national heritage continues to be critical – particularly as the number of records it preserves and protects increases exponentially. Furthermore, in recent years NARA has received many additional responsibilities, including the establishment of the National Declassification Center last year and the creation of Office of Government Information Services to oversee Freedom of Information Act activities government-wide. In 2008, NARA was designated as the lead agency for the implementation of the Controlled Unclassified Information (CUI) framework, which is intended to streamline the use of sensitive, unclassified information within the federal government.

I also believe that the administration should increase the appropriation for the National Historical Publications and Records Commission (NHPRC) from $10 million to $13 million. The NHPRC supports the efforts of NARA to preserve and publish any material relating to the history of the United States. In the last Congress, this Committee passed the Presidential Historical Records Preservation Act of 2008 (P.L. 110-404), which gave additional responsibilities to the NHPRC to make grants to preserve records of former Presidents, providing

The Hon. Kent Conrad
The Hon. Judd Gregg
March 9, 2010

online access to the documents of the founding fathers and creating a database for records of servitude, emancipation, and post-civil war reconstruction. I believe these important missions require additional funding for the Commission to allow it to also continue its traditional role in protecting the records that define this country.

* * * * *

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

Sincerely,

Joseph I. Lieberman
Chairman

cc: The Honorable Susan Collins

United States Senate

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

March 3, 2010

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) 2011 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 2011 budget plan for the federal government.

Department of Homeland Security

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

The Administration's budget request for the Department is $1.1 billion higher than the FY 2010 enacted level. It represents a reversal of the Administration's position in last year's request that proposed to have DHS's budget decrease by roughly $500 million per year for the next five years. This is a welcome change.

Federal Emergency Management Agency

I support the modest increase that the President has proposed to FEMA's overall funding level. The proposed level of funding will ensure that FEMA continues to implement important improvements mandated by the Post Katrina Emergency Management Reform Act (PKEMRA) and can effectively assist state, local, and tribal governments, emergency response providers, the private sector, and individuals and communities prepare for and respond to all-hazards, whether natural or man-made.

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

State and Local Programs (Grants). The State Homeland Security Grant Program (SHSGP) is vitally important because it allows all states to build baseline levels of capabilities to prevent, protect against, respond to, and recover from acts of terrorism. Indeed, it is the main source of homeland security assistance to state, local, and tribal governments and first responders. Communities use these funds for a variety of important activities, such as emergency planning, risk assessments, mutual aid agreements, equipment, training, and exercises. Moreover, because terrorists do not always live and plan in areas they ultimately intend to strike, SHSGP ensures that states – both large and small – are able to build capabilities to confront terrorist activity before it occurs. I urge you to fund SHSGP at the $1.05 billion level requested by the President.

Operation Stonegarden. I strongly oppose the Administration's proposal to restrict grant funding for Operation Stonegarden to only Southwest Border states. The Northern Border faces a number of very serious and significant challenges. The Operation Stonegarden program is vital to augment the relatively small number of border patrol agents assigned to the Northern Border, which is more than twice as long as the Southwest Border.

In my home state of Maine, the use of Stonegarden funds has been instrumental in providing assistance to local law enforcement in making many arrests and seizures. In one case, Operation Stonegarden overtime funding allowed a local law enforcement officer to interdict an individual carrying $137,000 in cash near the border, resulting in the successful prosecution of that individual in federal court for attempted bulk cash smuggling. Because of Operation Stonegarden, the officer was patrolling an area where he normally would not have been able to patrol. As this example shows, the smuggling of cash, often the result of illegal narcotics trafficking, is not only rampant across the Southwest Border but is occurring on the Northern Border as well. Last December, I met with Maine federal judges who voiced alarm about the influx of methamphetamine into the United States from Canada. Thus, eliminating funding to the Northern Border states is both short-sighted and illogical.

I also oppose the proposal to reduce Operation Stonegarden funding to $50 million. Instead, I urge the program to be funded at $60 million in FY 2011, consistent with the level of funding appropriated by Congress in FY 2010, and without any limitations at the Northern Border. It also is not necessary to include the funding for this program as a carve-out from the SHSGP, as the Administration does in its budget request; it should be funded independently.

Urban Area Security Initiative. The President's budget for FY 2011 also requests $200 million to fund security for terrorism trials in major urban areas as part of the Urban Area Security Initiative grant program. This is an unnecessary expense, as terrorists held at Guantanamo Bay can be tried on military bases without putting the general public at great risk. This money should instead be used to prevent a cut in the Coast Guard's budget, which the President proposes reducing by $75 million compared to the funding the service received this year. To achieve this reduction, the Coast Guard would have to decrease its uniformed personnel by more than 1,100. The Administration should not be cutting funds from the Coast Guard

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

budget while pouring scarce dollars into civilian court expenses for Guantanamo Bay terrorists, especially when there is a safer, more cost-effective alternative.

Port Security. The Port Security Grant Program should be funded at $400 million, the level authorized in the Security and Accountability for Every Port Act of 2006 (SAFE Port Act). The Administration proposes to fund the grant program at only $300 million. 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. These grants can be used to address identified vulnerabilities, purchase needed equipment, conduct training and exercises, and establish information sharing mechanisms.

Firefighter Assistance Grants. Recognizing the critical role that America's fire service plays in protecting our communities, Congress established the FIRE Act grant programs to address deficiencies in training, equipment, and life-saving protective gear. The need for added funding for these two programs (the Assistance to Firefighters Grant program and the Fire Prevention and Safety grant program) has never been greater; last year, for example, FEMA received several billion dollars in requests for FIRE Act grant funding, yet it only had a fraction of that amount to allocate. In FY 2010, Congress funded the FIRE Act grant programs at $390 million. The President's FY 2011 budget proposes only $305 million for these programs. This significant funding cut could impact efforts to improve the capabilities of America's fire service. Accordingly, I request that in FY 2011 these programs be funded at $390 million, a level commensurate with FY 2010.

I also urge you to fund the Staffing for Adequate Fire and Emergency Response (SAFER) Act grant program at the level requested by the Administration for FY 2011 ($305 million). Congress established the SAFER Act program to help local fire departments – both volunteer and career – increase the number of trained, "front-line" firefighters available in their communities. At a time when state and local governments face record budget shortfalls, fire departments have been among the first agencies to bear the brunt of these reductions. The SAFER Act program helps to ensure that all of our communities remain safe and that our first response organizations have the resources they need.

Emergency Management Performance Grant. The Emergency Management Performance Grant (EMPG) Program provides vital funds to support state, local, and tribal emergency management activities, such as all-hazards planning. I encourage you to fund this important program at a greater level than the $345 million requested by the Administration. I would note that our nation's emergency managers have identified $530 million as the minimum funding necessary to satisfy unmet emergency needs.

Emergency Management Institute. The Emergency Management Institute (EMI) provides vitally needed training to state, local and tribal emergency managers through on-campus and field-delivered classes and through distance learning. While Congress funded EMI

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

at $9 million in FY 2010, additional funding in FY 2011 would allow EMI to update course content and to expand to address other critical needs such as the development of an executive program for our nation's emergency managers. I encourage EMI to be funded at $11.9 million in FY 2011.

United States Customs and Border Protection

U.S. Customs and Border Protection (CBP) is responsible for securing our borders and ports and preventing admission of dangerous people and goods. The CBP budget for FY 2011 should include funding to maintain the number of Border Patrol agents at their current level. Maintaining the current level of agents is necessary to protect our borders and combat the smuggling of drugs, cash, and weapons along both the Southwest and Northern Borders. This year's Congressional Budget Justification indicates a reduction of 181 Border Patrol agents; however, Secretary Napolitano has recently stated that the Administration has reversed its position on this cut, restoring the funding with transfers from other CBP funding accounts. The Committee should reject the proposed reduction in the Budget Resolution, but it should not do so at the expense of other CBP programs.

The attempt on Christmas Day to detonate an explosive on a transatlantic flight from Amsterdam to Detroit revealed weaknesses in the screening of airline passengers overseas. Among those weaknesses was the failure to identify the terrorist, Umar Farouk Abdulmutallab, for additional physical screening or to prevent him from boarding the flight. Although CBP had identified Abdulmutallab for additional screening after his arrival in Detroit, it did not identify him for screening in Amsterdam before boarding. CBP should have adequate funding to modernize and enhance the capabilities of its information technology systems responsible for screening travelers, such as the Automated Targeting System (ATS) which helps determine which travelers and cargo present a higher risk to security and should be targeted for inspections.

If Abdulmutallab's visa had been revoked by the State Department, as it should have been, CBP likely would have prevented him from boarding a flight to the United States through its Immigration Advisory Program, which currently is functioning at nine overseas airports, including Amsterdam. This program allows CBP officers stationed in host countries the ability to compare travelers against a list of visa revocations, among other things. But at other foreign airports, CBP does not have personnel and it does not automatically compare airline passenger information against a list of visa revocations. CBP should receive adequate funding to expand this program to other locations.

The FY 2011 CBP budget also should include adequate funding for two important cargo security programs – the Container Security Initiative (CSI) and the Customs-Trade Partnership Against Terrorism (C-TPAT). C-TPAT is a voluntary, public-private sector initiative to strengthen overall international supply chain and U.S. border security; it requires trade-related businesses to undergo security audits and to take other steps to secure their supply chains to receive certain benefits, such as priority processing for CBP inspections. CSI identifies and examines maritime containers that pose a risk for terrorism at 58 foreign ports in order to keep

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

potential threats far from America's shores. The Administration has proposed to dramatically reduce the funding of CSI by removing personnel from foreign ports. Because CSI relies on relationships with foreign governments and customs authorities to conduct the inspections of high-risk containers at those ports, it is important to have some U.S. goverment personnel overseas. I urge the Committee to fund CSI in FY 2011 at the same level as last year with an adjustment for inflation -- $167 million.

United States Coast Guard

As noted above, the President's FY 2011 DHS budget proposes $200 million as part of the Urban Area Security Initiative to cover expenses and heightened security needs for terrorist trials of Guantanamo Bay detainees, such as Khalid Sheikh Mohammed and other 9/11 co-conspirators, in civilian courts in the United States. Instead, this funding should be used to prevent a proposed $75 million cut in the Coast Guard's budget from the amount it received this year. Redirecting money to the Coast Guard is a much better use of taxpayer funds, and it will make an immediate and positive impact toward securing the homeland.

Deepwater. I have been a strong supporter of the Coast Guard's efforts to recapitalize and modernize its aging fleet through the Deepwater program. The need for recapitalizing the Coast Guard's fleet remains as pressing as ever, as indicated by the service's plans to decommission five major cutters, five HH-65 helicopters and four HU-25 Falcon jets in FY 2011 alone. The average age of a Coast Guard high endurance cutter is now more than 41 years compared to 14 years for a Navy ship. And, as the Commandant noted in his State of the Coast Guard Address this year, "the condition of our fleet continues to deteriorate, putting our crews at risk, jeopardizing our ability to do the job...". I have previously advocated for increased funding for Deepwater above the Administration's budget requests in order to accelerate the program, and this remains my position. The success of Deepwater is absolutely critical to the future of the Coast Guard, and the program must be carefully monitored to ensure that taxpayer dollars are being spent effectively.

Polar Icebreaking Fleet. With shipping traffic increasing in the Arctic, and with Russia and other nations attempting to stake out territory there to obtain natural resources, a robust polar icebreaking fleet is essential to preserve America's national interests in the changing polar regions. The United States must expedite the design and acquisition of two new polar icebreakers to augment, and eventually replace, today's aging polar icebreaking fleet, so that we are able to support an increased, regular, and influential presence in the Arctic. Furthermore, I believe that polar icebreaking is a core mission of the Coast Guard, and I support the initiative to return control of icebreaking funds, in FY 2011 and beyond, to the Coast Guard, as opposed to the National Science Foundation.

Establishment of Interagency Operations Centers. Section 108 of the SAFE Port Act required the establishment of Interagency Operations Centers (IOCs) for port security at all high-priority ports not later than three years after the date of enactment (October 13, 2009). These operational centers will serve to enhance information sharing, facilitate operational coordination,

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

and facilitate incident management and response during a security incident in the maritime domain. In 2007, DHS identified the 24 high-priority ports that would require interagency operations centers and estimated that the entire project at the 24 ports would cost $260 million, with an annual operating cost of $3 million per center. That same year, the Homeland Security and Governmental Affairs Committee heard testimony from officials associated with the Project Seahawk joint harbor operations center in Charleston, South Carolina. The lessons learned through the Project Seahawk program support continued expansion and funding for additional interagency operations centers in our high-priority ports. Unfortunately, the FY 2011 budget does not provide any funding to the Coast Guard to continue the IOC program, even though the SAFE Port Act authorizes the appropriation of $60 million for each fiscal year from 2007 through 2012. Funding should be appropriated for FY 2011 so that meaningful progress can continue toward meeting the requirements of the SAFE Port Act.

Transportation Security Administration

The Transportation Security Administration (TSA) has the responsibility for ensuring the security of airline passengers. We were reminded yet again of the importance of TSA's mission by the Christmas Day bombing attempt. The FY 2011 budget request includes an overall increase in TSA's aviation security funding of 6.6 percent over the FY 2010 enacted level. The President's budget contains $769 million for passenger aviation security, including $214.7 million to purchase and install 500 advanced imaging technology (AIT) machines. I urge the Committee to fund this request fully.

Infrastructure Protection

Cybersecurity. The Administration has decreased the budget for Cybersecurity and Communications by approximately 3.6 percent (more than $19 million), and almost all of these cuts are made in the cybersecurity mission area. The cybersecurity threat to our nation continues to increase, as evidenced by the recent attacks on Google and many other private sector companies. We cannot afford to fall behind in this field as our adversaries develop new, more advanced methods of attacking our federal information infrastructure as well as the information infrastructure of the private sector. I encourage the Committee to at least restore the $19 million in funding so that DHS can continue to increase its capabilities in this vital area.

Chemical Security. The Department needs an adequate level of funding to continue implementing the Chemical Facility Anti-Terrorism Standards (CFATS) program. As part of the Department of Homeland Security Appropriations Act of 2007, Congress granted the Department, for the first time, broad authority to create and implement a chemical site security program. In April 2007, the Department issued regulations implementing CFATS. Since that time, the Department has made significant progress in implementing this critical security program. The implementation of strong, federal chemical facility security regulations is an important step in preventing, and ensuring an appropriate response to, terrorist attacks and other emergencies that could cause a dangerous release of chemicals into the environment. Chemical security remains a high priority for the Homeland Security and Governmental Affairs

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

Committee, and therefore, I support the President's request of $105 million for FY 2011 for the program.

Science & Technology Directorate

The Science & Technology Directorate (S&T) develops cutting edge homeland security technology, providing the innovation that is so crucial to carrying out DHS's mission. S&T works in concert with universities, research laboratories, and the private sector to create the best technological solutions for our current and future homeland security requirements. Ongoing S&T projects include efforts to develop and deploy better detection methods for biological and chemical threats and explosives, interoperable voice and data communications systems for our nation's first responders, and improved cargo security for all methods of transportation.

Of particular importance is S&T's work in explosives detection, specifically, working with TSA to improve passenger and baggage screening technologies at our nation's airports. The work being funded through S&T's explosives detection program includes developing next generation technologies. The Christmas Day bombing attempt served as a reminder of the immediate need for these new technologies and the necessity of continued innovation. I support the proposed 7.3 percent increase in the FY 2011 budget request over the FY 2010 enacted level for explosives detection at S&T.

Sufficient funding for cargo security innovation must remain a priority as well. S&T is committed to improving supply chain integrity by developing composite material cargo containers with embedded security sensor technology through its Cargo and Conveyance Security program. Testing and evaluation of prototype composite material containers is planned for FY 2010 and FY 2011. Therefore, I support the President's budget request to increase funding for the program to $15.7 million in FY 2011.

The President's FY 2011 Budget Request would transfer the Transformational Research and Development program from the Domestic Nuclear Detection Office (DNDO) to S&T. There are obvious advantages to this transfer, as it consolidates R&D at DHS within S&T. S&T would then work with DNDO on this program in the same way S&T now works with other DHS component agencies to find innovative technological solutions for homeland security needs. I support shifting the Transformational R&D program to S&T and urge its funding at the requested level of $109 million.

Undersecretary for Management

The FY 2011 budget request for the Undersecretary for Management includes an additional $24.2 million over the FY 2010 enacted level to strengthen DHS's acquisition workforce. These funds would allow DHS to increase its acquisition workforce by 100 positions in the contracting functional area and by 50 positions in other acquisition functional areas, including systems engineering, program management, logistics, and business cost estimating. The funds also would cover training to close identified gaps in areas such as requirements

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

development, negotiations, and contract management. Because the ability of DHS to develop strong program requirements and award and administer contracts that reflect sound business and technical decisions is dependent on the strength of its acquisition workforce, I support this increase. These are long-term investments in DHS's acquisition workforce that I believe will ultimately pay dividends in the form of better mission accomplishment and stewardship of taxpayer dollars.

Federal Employee Pay

The President's budget proposes an average increase in federal civilian and military employees' pay of 1.4 percent. In my view, federal civilian and military employees should be equally recognized for their efforts. For 21 out of the last 24 years, Congress has enacted pay parity for employees in both sectors. Providing equitable pay raises for federal employees is not just an issue of fairness, it also is critical to the recruitment and retention of talented individuals to public service and, therefore, to the successful administration of important federal programs. I ask you to provide for pay parity in the FY 2011 budget.

Privacy and Civil Liberties Oversight Board

As one of the architects of the Privacy and Civil Liberties Oversight Board (Board), I continue to strongly support the important mission of this body. In 2007, Congress dissolved the original Board and established a new, more independent Board outside the Executive Office of the President. Unfortunately, and in spite of repeated requests from myself and other Members, a new Board has not yet been installed. In anticipation of the current Administration nominating members of this Board before the end of the current fiscal year, I support funding the Board at the $10 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 at the tempo we expected it to be operating by FY 2011.

Inspectors General Budgets

The Inspector General Reform Act of 2008 is intended to enhance and protect the independence of Inspectors General. Inspectors General are vital partners in Congress's effort to identify inefficient, ineffective, and improper government programs. One key provision of the Inspector General Reform Act protects Inspectors General's independence by requiring that the head of an agency submit any comments of the Inspector General with respect to the President's budget proposal if the affected Inspector General concludes that the budget submitted by the President would "substantially inhibit" the Inspector General from performing the duties of the office.

The President's budget submission for FY 2011 includes a statement from the Office of Personnel Management (OPM) Inspector General (IG) indicating that the proposed budget would "substantially inhibit" its operations. The President's FY 2011 budget request for the OPM IG was $22.564 million, a $1.799 million decrease from the FY 2010 enacted amount and a $7.683

The Honorable Kent Conrad
The Honorable Judd Gregg

March 3, 2010

million decrease from the amount requested by the OPM IG for FY 2011. I encourage the Committee to consider the OPM IG's comments on the President's proposed budget request.

During the DHS budget briefing with the Committee, the DHS IG indicated that the President's budget request for his office was insufficient to conduct its oversight work and would, in fact, substantially inhibit him from performing the duties of his office. The President's request for the DHS IG office is $129.8 million. According to the DHS budget justification, however, this request includes a reduction of $9.9 million from current levels and does not include $6.4 million that was requested for continuing implementation of the recommendations of the 2007 Implementing the 9-11 Commission Recommendations Act, or $26 million requested for the addition of 32 full-time equivalent positions in support of the Office of Inspector General audit and investigations and management oversight mission. The DHS IG has informed the Committee that $167.1 million is the total amount needed for the office to fully perform these duties. I ask that you consider the DHS IG's views when making a decision about the budget allocation for the DHS Office of Inspector General.

* * * *

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

Sincerely,

Susan M Collins

Susan M. Collins
Ranking Member

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March 5, 2010

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

RE: FY 2011 Funding for Native American Programs

Dear Chairman Conrad and Ranking Member Gregg:

This letter responds to your request for the views and estimates of the Committee on Indian Affairs. I appreciate the opportunity to express these views as the Budget Committee prepares the Fiscal Year 2011 Budget Resolution. The Committee makes the following recommendations for six priority areas:

(1) We support the President's request of $4.41 billion within the Indian Health Service budget to advance Indian health care services and health facility construction.
(2) We support the President's request of $255 million within the Department of Justice budget for tribal public safety and justice programs grants to address reservation violence, including epidemic levels of domestic and sexual violence on Indian lands.
(3) We recommend $338 million over the President's budget request within the Interior Department budget to address deteriorating Indian schools and detention centers and funding for small business loans to create reservation jobs.
(4) We recommend $50 million over the President's budget request within the Energy Department budget to unlock the significant potential for energy development in Indian country.
(5) We recommend $123.5 million over the President's budget request within the Housing and Urban Development budget for the Indian housing block grant program that addresses severe homelessness and overcrowding on Indian reservations.
(6) We also recommend that the Budget Resolution include a provision that acknowledges the potential need to appropriate funding to implement Indian water rights settlement bills that are pending before this Committee.

The United States has unique legal obligations to Indian tribes that are grounded in the United States Constitution, treaties, federal statutes, and Supreme Court decisions.[1] These

[1] *See, e.g.,* U.S. Constitution, Article I, §2, cl. 3 which delegates to "the Congress . . . the power . . . to regulate commerce with foreign Nations, and among the several States, and with the Indian Tribes."

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obligations arise in part from cessions of hundreds of millions of acres of tribal homelands to the United States. In return, the Federal Government made promises to provide for the health, education, and general welfare of reservation residents. The Committee recommends that the FY 2011 Budget Resolution include funding levels that will permit the Federal government to meet these solemn obligations.

The scope of the United States' responsibilities to American Indians includes a wide range of services delivered in concert with the enhancement of Indian self-determination. Congress has placed the primary responsibility for Indian matters in the Department of the Interior, for the most part within the Bureau of Indian Affairs (BIA). However, there are over 20 Federal agencies that collectively provide a full range of services and programs to tribal governments, similar to those provided to state and local governments.

The Committee is sensitive to the fact that the United States remains in the midst of an economic crisis, and the national unemployment rate of 10%. However, this crisis is magnified in Native American communities. The unemployment rate for American Indian reservations nationwide is 49%.[2] According to the U.S. Census, while the U.S. poverty rate was 9.8% in 2007, the Native American poverty rate was more than 2.5 times that at 25.3%.[3]

This letter sets forth the Committee's specific recommendations and justifications for budget authority for tribal programs and services in the Fiscal Year 2011 Budget Resolution:

I. DEPARTMENT OF HEALTH AND HUMAN SERVICES: ADVANCING INDIAN HEALTH CARE

Native Americans face devastating health disparities. As compared to the general population, Native Americans have a life expectancy over 4 years shorter. The incidence and mortality rates of many illnesses are dramatically higher among this population. Examples of Native American health disparities as compared to the general U.S. population are listed below:

- Alcoholism mortality rate is 550 percent higher than the national rate.
- Suicide rate is more than double, and Native American teens experience the highest rate of suicide of any population group in the United States.
- Tuberculosis incidence is 750 percent higher.
- Diabetes incidence is 190 percent higher, with the highest rate of type 2 diabetes of any specific population in the U.S.
- The infant mortality rate is 12 per 1,000 compared to 7 per 1,000 in the general population.

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[2] Bureau of Indian Affairs Labor Force Report (2005). Tribes with the highest unemployment rates are located in the Great Plains and Rocky Mountain Regions, with an average reservation unemployment rate of 77% and 67% respectively. These regions encompass the States of Montana, Nebraska, North Dakota, South Dakota and Wyoming. *Id.*

[3] U.S. Census Bureau, *American Indian and Alaska Native Heritage Month: November 2008*, *http://www.census.gov/Press-Release/www/releases/archives/facts_for_features_special_editions/012782.html.*

The primary reason commonly cited for these health disparities is chronic underfunding of the IHS system. Despite recent increases, IHS funding remains at 52% of the level of need. In addition, there is an extensive backlog in new facility construction and maintenance and repair. The current IHS priority list of health care facilities is $2.56 billion, when repairs and maintenance needs are added, the unmet need for construction rises above $3 billion. In addition, there are disproportionately high rates of vacancies in the IHS system: 17 % for clinicians, 18% for nurses and 24% for dentists.

The Indian Health Service (IHS) within the Department of Health and Human Services is the primary Federal agency responsible for meeting the government's obligation to provide health care to Native Americans. IHS is divided into 12 Area offices that consist of 161 local service units. Over one-half of the IHS budget is administered under contracts and compacts negotiated with the IHS pursuant to the Indian Self-Determination and Education Assistance Act. In addition, IHS funds 34 urban Indian health projects (UIHPs) through grants and contracts at 41 locations. There are approximately 700 health facilities within IHS' service delivery areas, and the agency employs over 15,000 people. Last year, the IHS made over 54,000 inpatient admissions and almost 11 million outpatient visits. The average expenditure for an IHS patient in 2009 was $2,349.

Contract Health Services. The Contract Health Services (CHS) program funds medical and health care services when patients are referred outside the direct IHS program for services that are not available or provided at IHS or tribal facilities. These services include hospital care, physician services, outpatient care, laboratory, dental, radiology, pharmacy, and transportation services. CHS is estimated to be funded at about half of need, forcing IHS to use a priority system only allowing "life or limb" coverage. As a result, there are many instances where care is deferred, or denied. The unmet need for Contract Health Services is estimated to exceed $1 billion and growing.

The FY 2010 enacted level for CHS was $779.3 million. The FY 2011 Request is for $862.8 million, which is a $46 million programmatic increase, $5 million going specifically to the Catastrophic Health Emergency Fund (CHEF). The Committee strongly supports the proposed increase to Contract Health Services funding.

Mental Health. The Committee on Indian Affairs has held a number of meetings, listening sessions, and hearings to examine mental health needs in Indian country. It is estimated that current mental health services account for only one-third of the need in Indian country. The levels of alcohol and substance abuse, depression and other mental health issues are grave among Native Americans. Indian communities face the highest national rates of substance abuse and mortality from alcoholism. However, few reservations have substance abuse treatment or long-term mental health facilities or services. Perhaps the most astonishing and tragic statistics relate to suicide, especially youth suicide.

Native American youth experience the highest rate of suicide of any population group in the nation. Suicide is the second leading cause of death among Native American youth. The suicide rate for Native Americans between the ages of 15 and 24 is 3.5 times higher than their peers of other races. The incidence of suicide for young Native American males is especially extreme, with a rate four times higher than males in other racial groups and up to eleven times higher than females in other racial groups.

The rate of youth suicide has reached epidemic levels on three Indian reservations: the Pine Ridge Reservation in South Dakota, the Mescalero Apache Reservation in New Mexico, and the Standing Rock Sioux which straddles North Dakota and South Dakota. Between October 2008 and August 2009, the Pine Ridge Reservation Safety Department responded to 96 attempted or completed suicides. On the Mescalero Apache Reservation, a community of about 700 square miles and 5,000 tribal members, there have been a reported 73 attempted suicides in ages 14 - 25 in the first 9 months of 2009. The Standing Rock Sioux Reservation has also experienced a tragic level of suicide over the past year. By mid-2009, the community suffered over 50 suicide attempts and more than 10 suicide completions among youth aged 25 and younger. For most of the year, the Standing Rock Reservation (a land mass of over 3,500 square miles and population of over 8,000) has depended on one certified mental health professional.

The President's FY 2011 Budget for Indian Health Services programs and services is $4.41 billion. The Committee fully supports this request, as it would begin to reverse decades of chronic underfunding for Indian health care programs. The Committee also recommends an increase in the budget for mental health programs at the IHS.

II. DEPARTMENT OF JUSTICE: ADDRESSING VIOLENCE ON INDIAN LANDS

In addition to specific treaty promises, the Federal Government has statutory and legal obligations to provide public safety in Indian Country. The Major and General Crimes Acts[4] acknowledge the responsibility of the United States to investigate and prosecute most crimes committed on Indian lands. At the same time, the United States acknowledges that "tribal justice systems are an essential part of tribal governments and serve as important forums for ensuring public health and safety."[5]

Over the past two years, the Committee on Indian Affairs held twelve hearings to examine reservation public safety. The hearings revealed a severe and longstanding crisis of violence on many Indian reservations. Rates of violent crime, domestic abuse, and sexual assault on Indian reservations are significantly higher than the national average. A February 8, 2008 report released by the Centers for Disease Control (CDC), found that American Indian women experience the highest rates of domestic violence in the United States. Two in five Native women (39%) will suffer partner violence in their lifetime, compared with one in four (25%) women overall. The CDC report is consistent with an April 2007 Amnesty International report which found that more than one in three Native women (34%) will be raped or sexually assaulted in their lifetimes.[6]

The primary causes for reservation crime problem are (1) a divided system of justice that limits local tribal government ability to combat reservation crime, and forces dependence on Federal officials to investigate and prosecute reservation crime; and (2) a historical lack of

[4] 18 U.S.C. §§ 1152, 1153.

[5] 25 U.S.C. § 3601(5).

[6] *See* Maze of Injustice, The Failure to Protect Indigenous Women from Sexual Violence in the U.S.A., Amnesty International (April 2007).

funding for tribal justice systems, including tribal courts, police officers, detention programs, and crime prevention programs.

To address these disparities, and to acknowledge the federal nexus and responsibility to curtail reservation violence, the Committee fully supports the President's Budget request of $255 million within the Department of Justice budget for tribal justice program grants. According to Justice Department officials, the increased authority will target the following programs that are proven to help combat violent crime on Indian lands:[7]

Grants to Reduce Violence Against Native Women. The President's FY 2011 Budget includes a request of $47,920,000 at the Office on Violence Against Women (OVW) for Indian country domestic and sexual violence prevention grants and activities. These funds will provide grants to tribal governments and domestic violence coalitions address the high victimization rates of American Indian and Alaska Native victims of domestic violence, sexual assault, and stalking that occur on tribal lands. The Committee strongly supports this request.

Tribal Community Oriented Policing Services (COPS) Program. While the violent crime rate in Indian Country is more than double the national average, 3,000 Federal and tribal law enforcement officers patrol more than 56 million acres of Indian lands. Victims of crime suffer significant delays in response to distress calls are answered, waiting hours and even days for a response. To address this disparity, the DOJ Tribal COPS program provides funding to tribal governments to hire and train new and existing law enforcement officers, and to purchase equipment, technology and vehicles to support tribal police departments. The DOJ Budget requests $67,000,000 in total resources to fund tribal law enforcement expenses, including the hiring of police officers, training, and purchasing new equipment, technology, and vehicles. The Committee fully supports this important request.

Office of Justice Programs. The President's FY 2011 Budget requesting a 7% set-aside from all discretionary OJP programs for a total $139,482,000. These funds will provide grants to tribal governments to improve the crumbling tribal jails system, improve and address significant case backlogs at tribal courts, improve tribal juvenile justice systems by reducing Indian youth recidivism and prevent juvenile delinquency, and other essential justice services to tribal communities. The OJP request also includes $1,200,000 for the redesign and development of data collection programs for Indian Country. This effort will help educate Congress and the public about violent crime and criminal declination rates in Indian country. The Committee strongly supports these important requests.

III. DEPARTMENT OF THE INTERIOR: BUILDING INDIAN SCHOOLS AND DETENTION CENTERS, AND CREATING RESERVATION JOBS

As noted above, Congress has placed the primary responsibility for meeting the Government's treaty and trust obligations to Indian tribes with the Bureau of Indian Affairs

[7] *Oversight Hearing to Examine Tribal Programs and Initiatives Proposed in the President's FY 2011 Budget*, before the Senate Committee on Indian Affairs (Feb. 25, 2010) (testimony of Tom Perrelli, Associate Attorney General, U.S. Department of Justice).

(BIA) in the Department of the Interior. The BIA manages Indian lands and natural resources, and provides direct (and contracted) education, public safety, community and economic development, and other services to Native Americans.

A. Severe Deficiencies in Indian Schools

The education of American Indians and Alaska Natives lags far behind that of the rest of the country. American Indians have the lowest level of educational attainment of any racial or ethnic group in the United States. The national graduation rate for American Indian high school students was 49.3% in the 2003-2004 school year, compared to 76.2% for non-Indian students.[8] One reason attributed to this disparity is the extremely poor condition of many Bureau of Indian Education (BIE) and tribal schools.

Nearly 65,000 American Indian and Alaska Native students attend schools administered by the BIE. The BIE system includes 184 K-12 schools in 23 states. Of these 184 schools, 60 are on the Department's list of "Schools in Poor Condition". A May 2007 Interior Inspector General Flash Report Indian Schools found serious health and safety deficiencies at tribal and Bureau of Indian Education schools. The Report concluded that "failure to mitigate these conditions will likely cause injury or death to children and school employees."

Despite this Report and its recommendations, the funding levels for BIE Indian school construction and repair has decreased dramatically in recent fiscal years. Funding for Indian school construction was reduced to $128.8 million in FY 2010. The President's FY 2011 Budget proposes an additional $59 million cut to school construction for a total of only $53 million. Although $50 million of this reduction is a reprogramming within the Department, it is still a $9 million decrease at a time when it would take 30 years to bring those schools that are already in poor condition up to acceptable standards. **The Committee strongly opposes the President's proposed cut to Indian school construction, and instead recommends that Indian school construction funding be restored to the Fiscal Year 2003 level of $293 million.** This would require an additional $240 million in budget authority over the President's FY 2011 request for Department of the Interior education construction account.

B. Public Safety and Justice

The BIA Public Safety and Justice Construction program replaces, improves, and repairs tribal and Bureau-owned jails to correct critical health and safety deficiencies. On several occasions over the past decade, Government reports have found serious concern with the BIA and tribal jails system. A September 2004 Interior Inspector General Report found that the BIA detention program is "riddled with problems and ... is a national disgrace."[9] A separate Interior Department report titled "Master Plan for Justice Services in Indian Country" declares a multi-billion dollar backlog for jails construction in Indian country. The Report finds that "The life

[8] The Dropout/Graduation Crisis Among American Indian and Alaska Native Students: Failure to Respond Places the Future of Native Peoples at Risk, Faircloth and Tippeconnic, Civil Rights Project at UCLA and Pennsylvania State University (January 2010). Further, only 13.3% of Native Americans have an undergraduate college degree, compared to the national average of 24.4%.

[9] http://www.doioig.gov/upload/IndianCountryDetentionFinal%20Report.pdf.

and safety of officers and inmates are at risk." It also finds that "only half of the offenders are being incarcerated who should be incarcerated; the remaining are released through a variety of informal practices due to overcrowding in existing detention facilities."[10] With no deterrence, offenders increase the levels of their violence.

The FY 2010 enacted level for this program was $52 million. The President's Budget requests only $4.4 million for this critical program. **The Committee strongly opposes this proposed cut, and recommends that funding be restored to the FY 2010 level of $52 million.**

C. Creating Reservation Jobs

Sustainable economic development provides the key to self-determination for Indian tribes. Despite recent economic improvements on some reservations, most tribal economies continue to suffer high unemployment rates and staggering poverty. As noted above, the reservation unemployment rate is 49%, and on some reservations the rate exceeds 80%. Eight of the ten poorest counties in the United States include, in whole or in part, American Indian reservations, and between 65% and 95% of residents of these counties are Native American.

The lack of access to capital and financial institutions in Indian country is well documented. Tribes, Indian-owned businesses, and individual Indians have historically lacked access to capital for both home mortgages and commercial purposes. Banks seeking to reach out to Indian communities encounter geographic, educational, and legal barriers to providing traditional deposit and lending services in Indian country. As a result, tribal community economic development has been stifled.

One program that has worked to provide much needed access to capital for reservation small businesses is the Interior Department's Indian Guaranteed Loan Program. Through this program, the Interior Department's Office of Indian Energy and Economic Development (OIEED) guarantees loans and issues surety bonds to promote reservation economic development. The program fosters the development of reservation businesses, which in turn creates reservation jobs. The Indian Guaranteed Loan Program leverages appropriated dollars at a 13 to 1 ratio. The default rate under this program is less than 1.5% annually, far outperforming other federally guaranteed loan programs.

The Program has been underutilized in recent years. In FY 2008, more than a dozen traditional and renewable energy projects were not funded because of the Office's limited budget. In addition, this effective program has historically not kept up with inflation. The Committee believes that this program has clearly demonstrated its ability to promote economic development and job creation on reservations. The Committee believes that additional guarantee authority would sharply increase the number of economic development projects on reservation lands and spur further private sector investment in Indian country.

The FY 2010 enacted level for this program was $8.2 million. **The President's Budget proposes a decrease of $57,000 for this program. The Committee instead proposes a $50 million increase to this proven program to address longstanding double-digit unemployment on Indian lands.** Funding this program at $58 million will enable the OIEED

[10] Master Plan for Justice Services in Indian Country, at 9 (June 2008).

to leverage more than $750 million in guaranteed loans to promote small business activity throughout Indian country.

IV. ENERGY DEPARTMENT: UNLOCKING THE ENERGY POTENTIAL OF INDIAN COUNTRY

Energy development on Indian lands has the potential to provide a long-term foundation for many reservation economies while substantially increasing domestic energy supplies. It is estimated that Indian reservations contain 10% of the United States' traditional and renewable energy resources, despite the fact that reservations comprise less than 5% of the total land area of the U.S. In addition, while there are 2.1 million acres of leased coal, oil, and gas in various phases of exploration and development on Indian lands, there are an estimated additional 15 million acres of undeveloped energy resources on Indian lands. Renewable wind, solar, and biomass potential on Indian lands are among the greatest in the Nation.

Committee hearings in the 110th and 111th Congresses have found that historic policies and current laws and regulations present barriers to the development of Indian energy resources. The Committee found that Indian tribes interested in developing their energy resources face higher costs and bureaucratic challenges that other energy developers do not face. These additional costs and challenges prevent the development of Indian energy resources that could added substantially to the domestic energy supply.

Title V of the Energy Policy Act of 2005 authorized programs that were intended to help address these barriers and unlock the potential for reservation energy development. However, many of these programs have not been funded or have been underfunded.

Title V established the Office of Indian Energy Policy and Programs (OIEPP), which among other duties would promote tribal energy development, reduce tribal energy costs, strengthen tribal energy infrastructure, and enhance electrical power and service to Indian tribes. Title V included authority to provide grants to tribes or tribal organizations to establish tribal utilities, provide electrical service, and obtain transmission interconnection. Congress provided $5.5 million in FY 2010 for OIEPP. The President's FY 2011 Budget proposes a $4 million cut to the Office. The Office's Director position is currently vacant. Without a Director, there is no one in the Energy Department to implement the significant Indian energy provisions Congress included in the Energy Policy Act.

Title V also included authorization for the creation of an Indian Energy Guaranteed Loan Program. The program was intended to help encourage needed investment capital for energy projects on Indian lands. The President's Budget proposes no funding for this important program. Finally, the President's Budget proposes $10 million, level funding, for the Energy Department's Tribal Energy Program within the Energy Efficiency and Renewable Energy Office. This program provides grants to Indian tribes conducting feasibility studies for renewable energy projects. Each year the demand for program assistance exceeds the available funding.

To help unlock the potential for energy development on Indian lands, which will in turn, provide a sustainable economy to many Indian tribes, I recommend a total of $61 million, $50 million over the President's request, for Indian energy programs within the Energy Department.

V. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: LIVABLE HOMES FOR THE FIRST AMERICANS

Native Americans face some of the worst housing and living conditions in the United States. According to 2002 statistics, 90,000 Indian families were homeless or under-housed. On tribal lands, 28% of Indian households were found to be overcrowded or to lack adequate plumbing and kitchen facilities, compared to 5.4% of national households.[11] When physical structures that lack heating and electrical equipment are included, approximately 40% of reservation housing is characterized as inadequate, compared with 5.9% of the national households, and less than half of all reservation homes are connected to a public sewer system. One in five American Indians lives in an overcrowded home. Further, since Indian lands are held in trust or restricted-fee status, financial institutions often refuse to acknowledge Indian land as collateral for individuals to finance new homes.

The Indian Housing Block Grant program under Title I of the *Native American Housing and Self Determination Act of 1996* (NAHASDA) provides statutory authority to address the housing disparities in Indian country.[12] NAHASDA provides block grants to Indian tribes or their tribally designated housing entities (TDHEs) on a formula basis to help them address housing needs in their communities. The block grants may be used for affordable housing activities, including the purchase, modernization, or construction of housing units, as well as rental and homeowner assistance. Indian tribes have utilized NAHASDA Block Grant Program funds in innovative ways, and have been successful in addressing some of the most urgent housing needs in Indian country, proving that investment in this program brings results.

Technical assistance and training are key components to NAHASDA's success. Training and technical assistance are effective tools in maintaining compliance with NAHASDA's statutory and regulatory accountability requirements and has also helped tribes address new issues, such as identification and remediation of methamphetamine use in tribal housing.

The FY 2010 enacted level for the NAHASDA block grant program was $700 million, and funding for training and technical assistance was $3.5 million in FY2010. **The President's FY 2011 budget request proposes a $120 million cut to the block grant program, and elimination of the training and technical assistance program. The Committee strongly opposes these proposed cuts, and recommend that the NAHASDA Block Grant and Training and Technical Assistance Programs again be funded at FY 2010 levels.**

VI. INDIAN WATER SETTLEMENT AGREEMENTS

Access to stable and secure water supplies has long been acknowledged as a basic component of maintaining an Indian tribe's reservation homelands.[13] However, for more than a century, the existence and quantity of Indian water rights was not taken into consideration as

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[11] *Native America at the New Millennium,* Eric Henson and Jonathan B. Taylor, April, 2002, The Harvard Project on American Indian Economic Development.

[12] NAHASDA was re-authorized in the 110th Congress. Public Law 110-411 (Oct. 18, 2008).

[13] *See,* United States v. Winters, 207 U.S. 564 (1908).

reservation neighbors established communities and businesses that also depended upon the region's water resources. Consequently, even though tribes typically have senior water rights, water needed for reservation populations and productivity were diverted to other uses.

To avoid and resolve litigation and address the Government's liability with regard to Indian water rights, for more than 20 years, the United States has pursued a policy of negotiating Indian water rights settlements.[14] This policy is based on the idea that Indian water rights are vested property rights for which the United States has a trust responsibility.[15] The policy places a preference on negotiated settlements over protracted and divisive litigation regarding water resources.[16] Indian water rights settlements ensure that growing reservation populations gain access to drinkable water, and allow a tribe to begin making economic use of its water resources. Moreover, a settlement typically finds a way for existing water uses to continue so that they are not harmed by the acknowledgement of an Indian tribe's rights to water.

To provide for the settlement of these Indian trust resources, to address the Government's liability with regard to specific water rights disputes, and to ensure that authority and funding exists for the U.S. to implement an Indian water rights settlement, Congress often enacts legislation approving water rights settlements. This Committee has seen a significant increase in legislation to approve Indian water settlements, as the Administration makes progress resolving long-standing Indian water rights disputes.

In the past year, the Committee voted favorably on four bills approving Indian water rights settlements. The House has also passed its version of three of these bills. These four settlements involve tribes and pueblos in New Mexico, Arizona, and Montana. If these four bills are enacted as approved by the Committee, a total of $1.1 billion will be authorized to implement these settlements. The timeline for funding these settlements ranges from 10 to 20 years. These four settlements would be in addition to six other settlements that are not yet fully funded, and for which the Administration requests approximately $70 million in funding for FY 2011. As a result, significant additional appropriations may be needed to implement the water settlements that are pending in the Senate.

To ensure that Indian water settlements can be resolved, the Committee recommends that the Budget Resolution include a provision that acknowledges to possible need to provide funding to implement a series of Indian water rights settlements that may be enacted in the 111th Congress.

VII. OTHER AGENCY SUPPORT FOR TRIBAL GOVERNMENTS

As noted above, while Congress has placed the primary responsibility for meeting the Government's trust obligation within the Bureau of Indian Affairs (BIA), there are over 20 Federal agencies that collectively provide a full range of services and programs to tribal governments, similar to those provided to state and local governments. The Committee supports

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[14] *See,* Criteria and Procedures for the Participation of the Federal Government in Negotiations for the Settlement of Indian Water Rights Claims, 55 Fed. Reg. 9223 (Mar. 12, 1990).

[15] *See id.*

[16] *See id.*

the President's Budget request for tribal programs at these various agencies, and notes specific support for the following requests:

The Department of Homeland Security (DHS) recognizes that certain tribal governments are directly eligible for a minimum allocation in the State Homeland Security Grant program and proposes a minimum of $1,050,000 in State Homeland Security Grant funds in the FY2011 Budget request. In addition, the DHS budget requests funding for two full-time Tribal Coordinators at the Office of Intergovernmental Affairs. The Committee supports funding for these efforts.

The Environmental Protection Agency (EPA) provides direct funding for tribal environmental programs and clean water infrastructure. Tribal environmental programs are supported by EPA's General Assistance Program grants. The Budget requests $71.4 million for the General Assistance Program, an increase of $8.5 million. The budget also proposes a new multi-media grant program, which help tribes implement General Assistance Program grants. The budget requests $30.0 million the new multi-media grant program. In addition, the EPA Budget proposes a slight increase for the tribal government set-aside in the Clean Water State Revolving Fund and the Drinking Water State Revolving Fund. To address the significant water needs of Indian tribes, the Committee strongly supports these requests.

CONCLUSION

We appreciate this opportunity to provide the Indian Affairs Committee's recommendations for the FY 2011 budget request and budget resolution, and look forward to working with the Budget Committee to ensure that programs that serve American Indians and Alaska Natives are funded at levels commensurate with our obligations to these communities.

Sincerely,

Byron L. Dorgan
Chairman

United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-6475

SSCI #2010-1033

February 25, 2010

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 12, 2010, requesting a "views and estimates" report on proposed Fiscal Year 2011 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 2011 because the budget request for intelligence is classified and is contained within other specified accounts, including those for the Departments of Defense, State, Treasury, Energy, Justice and Homeland Security. Submitting a "views and estimates" report could potentially lead to violations of laws and regulations concerning the handling of national security information. The Committee will reconsider this practice should the current Administration decide to declassify the intelligence budget request.

Should you or your staff have any questions, please contact the Committee's Budget Director, Ms. Peggy Evans, at (202) 224-1700.

Sincerely,

Dianne Feinstein
Chairman

Christopher S. Bond
Vice Chairman

United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

March 5, 2010

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:

Thank you for the opportunity to provide views view pursuant to section 301(d) of the Congressional Budget Act concerning Fiscal Year (FY) 2011 funding for programs within the Judiciary Committee's authorizing jurisdiction.

The Administration's proposal provides $29.2 billion for the United States Department of Justice, an estimated increase of $2.7 billion above the FY 2010 level of $26.5 billion. The requests that I am making, as outlined below, show my commitment to ensure adequate resources for essential programs. I urge that these requests be given careful consideration.

State and Local Law Enforcement Assistance

The need for State and local resources focused on protecting our communities from violent crime in combination with the resource demands of counterterrorism efforts at all levels of government, continue to strain the Nation's State and local law enforcement agencies. This is true particularly during this time of economic distress. 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.

<u>Community Oriented Policing Services (COPS)</u> - 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 $11.2 billion in grants to law enforcement agencies, more than 121,500 new law enforcement officers in over 13,600 communities in all 50 States, five Territories and the District of Columbia. Community policing and the outstanding work of so many law enforcement officers have played a vital role in our crime control efforts. With the Federal Bureau of Investigation (FBI) transitioning agents from crime to counter-terrorism, we need to provide more, not less, support for State and local law enforcement.

Additionally, significant progress in the reduction of rural and small city violent crime rates made in the 1990s has stalled and reversed, as a result of those affected areas being unable to sustain and increase their police forces due to budget constrictions. Funding provided through this program to put more law enforcement on the streets has had a measurable effect on violent crime in small cities and rural areas and Congress should increase its investment in this regard.

Supporting local police also helps economic development more broadly. Over the past decade, entrepreneurs and hardworking homeowners have brought new life to once stagnant, often crime-ridden communities in inner cities and rural towns across the country. As these communities became safer, property values rose, businesses thrived, and local economies prospered. If crime returns, these economic gains will be lost.

Given the present economic situation in the United States, and the likelihood that the incidence of property and other crimes will increase, strong Federal support of State and local law enforcement efforts is especially important.

The Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 106-192) authorized the COPS program at an amount of $1.047 billion annually through FY 2009. I request that the COPS program be funded at its authorized level for FY 2011.

Edward Byrne Justice Assistance Grants (JAG) - As part of the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) Congress streamlined the JAG and the Local Law Enforcement Block Grants (LLEBG) programs into one program authorized at $1.095 billion for fiscal years 2006 through 2012. As Chairman of the Judiciary Committee, I strongly urge that JAG be funded at authorized levels.

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 percent of U.S. women report that they have been physically assaulted by an intimate partner during their lifetimes, and one in six have been the victims of attempted or completed rape. The cost of intimate partner violence exceeds $5.8 billion each year, $4.1 billion of which is for direct medical and mental health care services.

Full funding for VAWA's programs and services is essential in preventing violence and repairing the lives of victims. Cornerstone grant programs such as Services, Training, Officers, Prosecutors (STOP), the Grants to Encourage Arrest and Enforce Protection Orders, the Sexual Assault Services Program for victims of rape and sexual assault, the Transitional Housing Program for domestic violence survivors, and the Rural Domestic Violence and Child Victimization Grants deserve full funding at their authorized levels of $225 million, $75 million, $50 million, $40 million, and $55 million, respectively.

Bulletproof Vest Partnership (BVP) - The Bulletproof Vest Partnership Grant program plays an essential role in distributing lifesaving bulletproof vests to law enforcement officers serving in the front lines nationwide. The BVP program was reauthorized last Congress in the Bulletproof Vest Partnership Grant Act of 2008. That law authorizes $50 million per year through FY 2012 for this successful program that protects the lives of State and local law enforcement officers. In fact, the BVP is so successful that since 1999, it has provided law enforcement officers in 13,000 jurisdictions nationwide with an estimated 800,000 new bulletproof vests.

The Bulletproof Vest Grant Partnership Act of 1998 was established in response to multiple tragedies involving law enforcement officers. In the tragic 1997 Carl Drega shootout on the Vermont-New Hampshire border, two State troopers who did not have bulletproof vests were killed. Congress subsequently acted, making the determination that Federal assistance to State and local law enforcement to support the purchase of life-saving body armor was sound public policy.

There is a continuing need for the grants provided under the Bulletproof Vest Partnership Grant Act. Bulletproof vests are fundamental to the protection of State and local law enforcement officers, but 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. I request that this important program be funded at its authorized level of $50 million for FY 2011.

Juvenile Justice - Difficult economic times lead to fewer job opportunities, more hardship, and fewer programs for young people, all of which can lead to an increase in juvenile crime. Accordingly, prevention and treatment programs for juveniles are essential.

Juvenile Justice Accountability Incentive Block Grants, reauthorized in the VAWA and Department of Justice Reauthorization of 2005 (Public Law 109-162), provide State and local governments with resources for hiring of personnel, training law enforcement, and building facilities, among other programs aimed at effectively preventing and responding to juvenile crime. I urge the Budget Committee to allocate funding for this program at the authorized level of $350 million.

Juvenile Delinquency Prevention Block Grants, authorized in Title V of the Juvenile Justice and Delinquency Prevention Act (JJDPA) (Public Law 107-273), give key resources to State and local programs aimed at keeping children out of trouble, particularly in difficult times. I recommend funding this program at the authorized level of $120 million.

Authorized in Title II of the Juvenile Justice and Delinquency Prevention Act, JJDP Formula Grants give States the resources they need for effective and appropriate enforcement, prevention, and treatment with regard to juveniles. I recommend these grants be funded at the authorized level of $100 million.

The Judiciary Committee has reported a reauthorization of the Juvenile Justice and Delinquency Prevention Act, which we hope Congress will pass soon. The reauthorization will modernize, expand, and improve the Federal Government's programs assisting States in keeping our children safe and out of the criminal justice system. Our budget allocations should reflect these priorities.

Second Chance Act - The Second Chance Act of 2007 (Public Law 110-199), which passed with overwhelming bipartisan support, was signed into law in April 2008. The Second Chance Act is a common sense, evidence-based approach to improving public safety by helping prisoners turn their lives around. Most individuals face numerous challenges when returning to the community from prison and research indicates that more than half return to prison within three years of their release. By providing the resources needed to coordinate reentry services and policies at the State and local levels, the Second Chance Act ensures that the tax dollars spent on corrections do not simply fuel a revolving door in and out of prison. The programs authorized by the Second Chance Act address the wide array of issues that research has shown to improve reintegration and reduce recidivism, including education and job training, employment and housing services, substance abuse and mental health treatment, and mentoring programs.

The Second Chance Act authorizes $165 million for programs that will improve coordination of reentry services and policies at the state and local levels. The Second Chance Act includes a $55 million program for Adult and Juvenile Offender State and Local Reentry Demonstration Projects, which improve coordination of reentry initiatives and implement evidence-based practices. The Second Chance Act also authorizes a $15 million program for Mentoring Grants to Nonprofit Organizations, which provide mentoring and other transitional services to adult and juvenile offenders reentering the community. I urge that these Second Chance Act programs be funded at the authorized levels.

Mentally Ill Offender Treatment and Crime Reduction Act (MIOTCRA) – This initiative was signed into law in 2004 after receiving unanimous bipartisan support in Congress to address the significant problem of people with mental illness in the criminal justice system. The law has been instrumental in helping State and local governments to develop initiatives to reduce costs, improve public safety, and allow the alarmingly high number of mentally ill offenders to receive the treatment they need to return to productive lives. The MIOTCRA program is also important to our Nation's efforts to decrease crime and recidivism among mentally ill offenders. Last Congress, MIOTCRA was reauthorized at $50 million for fiscal years 2009 - 2014. I urge MIOTCRA be allocated its full level of authorization.

Runaway and Homeless Youth Act - The Runaway and Homeless Youth Act was initially passed in 1974 (Public Law 93-415) and has been reauthorized several times, most recently last Congress in the Reconnecting Homeless Youth Act of 2008 (Public Law 110-378). These important programs serve America's most vulnerable youth through street outreach that helps to ensure youths' safety and survival, basic centers that provide refuge from victimization, and transitional living programs that help young people move toward productive adulthoods. The Nation's more than 400 programs help prevent victimization of runaway and homeless youth, ensure basic safety for unaccompanied minors, provide access to family reunification services; offer housing assistance for those at least age 16, and provide assistance for education including high school, GED, and post-secondary training. Life skills and money management; employment training and job-finding; and health care and other social services are also services provided by many runaway and homeless youth programs. I request that this program be allocated its authorized level of $140 million for FY 2011.

Drug Courts - The Drug Courts program was authorized in the Violence Against Women and Department of Justice Reauthorization Act of 2005 (Public Law 109-162) at an amount of $70 million. Drug courts provide an important opportunity for communities to reduce drug abuse by providing incentives for low-level drug offenders to obtain effective treatment. I urge the Drug Courts program be allocated 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. It is imperative that we encourage State and local governments to develop and implement innovative youth violence reduction programs by funding their initial efforts. I urge this program be allocated its full authorized level of $50 million.

Crime Victims Fund

Since its enactment more than 20 years ago, the Victims of Crime Act (VOCA) has been the principal means by which the Federal Government has supported essential services for crime victims. The VOCA created the Crime Victims Fund ("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.

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. I request that the Committee oppose rescissions to the Fund.

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.

During the past year, victim service professionals have seen an increase in victimization and victim need, as job losses and economic stress translate into increased violence in the home and in our communities. Local shelters and crisis lines are also reporting a rise demand as the shortage of affordable housing and rising unemployment are increasing the time that victims stay in emergency shelters. The rising unemployment rate also means victims are less likely to have insurance to cover their crime-related expenses. Across the board, victim service providers are strapped for resources, forcing many to curtail specialized services, lay off staff and close their doors, jeopardizing many victims' lives.

Last year, I introduced the Crime Victims Fund Preservation Act of 2009 (S.1340), which sets the cap for FY 2011 at $867 million. Accordingly, I request that the amount in that legislation be taken into consideration when determining the cap for this year. Additionally, I request that that an extra $100 million be allocated from the balance in the Crime Victims Fund for victims of domestic violence so that the President's proposed initiative may be fully funded without adversely affecting other crime victims compensation and services.

Combating Crimes against Children

I urge allocations at full authorization levels for programs aimed at combating crimes against children.

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.

Programs for missing and exploited children received should be funded at their fully authorized level in FY 2011.

I also recommend allocations for the programs authorized by the Adam Walsh Child Protection Act of 2006 (Public Law 109-248) be at the fully authorized levels. In particular, I believe that it is important to fund the United States Marshals Service to aggressively pursue sexual predators and to fund the Bureau of Prisons to implement a comprehensive sex offender management program in prisons. I also urge there be allocated at least $18 million for Project Safe Childhood.

Justice For All Act

The Justice For All Act (JFAA) (Public Law 108-405) reflects years of hard work and is an important piece of legislation that stands to improve the quality of justice for all Americans by harnessing the power of DNA evidence. The act was carefully drafted and negotiated by Congress with an eye toward creating a bipartisan scheme that addresses the rights of victims, improves forensic testing, reduces the risk of error in capital cases, and strengthens our Nation's criminal justice system.

The programs in the JFAA should be fully funded in FY 2011. The authorizations under the JFAA for FY 2009 include $5 million for enhancement of the Victim Notification System, as authorized in section 103; $28.5 million for the other victims' programs authorized in section 103; $151 million for the Debbie Smith DNA Backlog Grant Program, as authorized in section 202 and reauthorized by the Debbie Smith Reauthorization Act of 2008 (Public Law 110-360); $102.1 million for the other DNA programs authorized in sections 303-308; $20 million for the Paul Coverdell Forensic Sciences Improvement Grant Program, as expanded by Section 311 of the JFAA; $5 million for the Kirk Bloodsworth Post-Conviction DNA Testing Grant Program, as authorized in section 412; and $75 million for the Capital Representation and Capital Prosecution Improvement Grants, as authorized in section 426.

The JFAA represents a strong bipartisan achievement and was an important step to improving our criminal justice system.

National Instant Criminal Check System (NICS)

In 2007, both the Senate and House of Representatives took an important step toward improving the effectiveness of the National Instant Criminal Background Check System (NICS), which is administered by the FBI. At the end of the first session of the 110th Congress, both chambers unanimously passed the NICS Improvement Amendments Act of 2007 (Public Law 110-180).

The NICS Improvement Amendments Act of 2007 provides several State grant programs to give States strong incentives to begin improving the NICS system. The bill also provides penalties if States do not meet certain compliance standards. Given this approach, it is vitally important that NICS be fully funded at its authorization levels, so that States will not later be punished without being given the resources to correct the system. The programs under the NICS Improvement Amendments Act of 2007 are authorized at $250 million for FY 2011 and should be fully allocated.

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 2010 Omnibus Appropriations Act Congress provided $100 million for competitive youth mentoring grants. These organizations each deserve dedicated funding at their authorized levels.

Big Brothers Big Sisters - Subtitle A of Title VI of the Adam Walsh Child Protection and Safety Act of 2006 (Public Law 109-248) (the "Adam Walsh Act") recognized the ability of youth mentoring to make a positive impact in the lives of at-risk children by authorizing the Office of Juvenile Justice and Delinquency Prevention to make grants to Big Brothers Big Sisters of America for use in expanding capacity and serving youth. The program should be fully allocated at its authorized level of $15 million for FY 2011.

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 authorized funding for the Boys and Girls Clubs through 2010, and has consistently appropriated funds in recognition of the organization's success in discouraging youth gangs, drug abuse, and violence in communities across the country. In order to continue its work on behalf of the Nation's young people, this funding is critical. Therefore, the Boys and Girls Clubs of America should be allocated its FY 2010 authorized level (Public Law 108-344) of $100 million.

Regional Information Sharing System (RISS)

The RISS serves as an invaluable tool to Federal, State and local law enforcement agencies by providing much-needed criminal intelligence and investigative support services. It has built a reputation as one of the most effective and efficient means developed to combat multi-jurisdictional criminal activity, such as narcotics trafficking and gang activity. Without RISS, most law enforcement officers would not have access to newly developed crime-fighting technologies and would be hindered in their intelligence-gathering efforts.

We must ensure that RISS can continue current services, meet increased membership support needs for terrorism investigations and prosecutions, increase intelligence analysis capabilities and add staff to support the increasing numbers of RISS members. The RISS operates six intelligence centers that support over 8000 local, State, Federal, and tribal law enforcement agencies, and its membership continues to grow every year. In the 2010

Omnibus Appropriations Act, $45 million was appropriated for RISS. I request that the RISS program continue to be allocated $45 million for FY 2011.

Fraud Enforcement and Recovery Act

The bipartisan Fraud Enforcement and Recovery Act (FERA) (Public Law 111-21) was signed into law by the President last year. This law has the ability reinvigorate our Nation's capacity to investigate and prosecute the financial frauds that have so severely undermined our economy and hurt so many hard working people in these difficult economic times. The FERA provides the resources and new tools needed by law enforcement to uncover and prosecute these frauds and aggressively enforce fraud in connection with bailout and recovery legislation.

The FERA authorizes $165 million a year for hiring fraud prosecutors and investigators at the Justice Department for FY 2011. This includes $75 million for the FBI to hire 190 additional special agents and more than 200 professional staff and forensic analysts to rebuild its "white collar" investigation program. With this funding, the FBI can double the number of its mortgage fraud task forces nationwide – from 26 to more than 50 – that target fraud in the hardest hit areas of our Nation. The total also includes for FY 2011, $50 million for U.S. Attorneys' Offices to staff those strike forces and $40 million for the Criminal, Civil, and Tax Divisions at the Justice Department to provide special litigation and investigative support. In addition, the bill authorizes $80 million in FY 2011 for investigators and analysts at the U.S. Postal Inspection Service ($30 million), Office of Inspector General for the Housing and Urban Development Department (HUD IG) ($30 million), and the U.S. Secret Service ($20 million) to combat fraud against Federal assistance programs and financial institutions.

I recommend that FERA be allocated its authorized levels in FY 2011, which would be $165 million for the Justice Department (as allocated by the bill), $30 million for the Postal Inspection Service, $30 million for the HUD IG, and $20 million for the U.S. Secret Service.

Public Corruption Prosecution Improvements Act

The bipartisan Public Corruption Prosecution Improvements Act of 2009, which has the strong support of the Department of Justice, was reported by the Senate Judiciary Committee on March 12, 2009. Among other things, the bill provides $100 million over four years in much-needed additional funding for public corruption enforcement, which has fallen over the past eight years as resources have been shifted away from the pursuit of white collar crime to counterterrorism. While there may be further changes to the bill before enactment, I do not anticipate changes to the bill's authorizing provisions. Therefore, I suggest that the authorized level of funding of $25 million to the Department of Justice and the Offices of Inspector General, be given consideration in the FY 2011 budget.

Rural Law Enforcement Assistance Act of 2009

The bipartisan Rural Law Enforcement Assistance Act (S. 150) reauthorizes the rural law enforcement assistance program first passed by Congress in the early 1990s, and I expect it to pass this year. Like so many valuable programs that help local law enforcement and crime prevention, funding for this program was allowed to lapse over the last eight years, despite its effectiveness in contributing to the record drop in crime in the late 1990s.

The bill authorizes $75 million a year over the next five years in new Byrne grant funds for State and local law enforcement, specifically for rural States and rural areas within larger States. This support would be used to hire police officers, purchase necessary police equipment, and to promote the use of task forces and collaborative efforts with Federal law enforcement. Just as important, these funds would also be used for prevention and treatment programs in rural communities – programs that are necessary to combat crime and are too often the first programs cut in an economic downturn. This bill also authorizes $2 million a year over five years for specialized training for rural law enforcement officers, since training is another area that often experiences cuts in hard times. This bill will immediately help cash-strapped rural communities with the law enforcement assistance they desperately need.

I suggest that the authorized funding of $75 million be given consideration in the FY 2011 budget.

Federal Bureau of Investigation (FBI)

The President has requested $8 billion for the FBI. While we support the President's request, we emphasize the following:

I note the FBI's troubled efforts to modernize its information technology (IT) program since September 11, 2001. In past years, the Justice Department's Office of the Inspector General (OIG) has issued several audit reports on the FBI's latest IT modernization program, known as Sentinel. In August 2007, the Inspector General (IG) issued its latest audit of Sentinel reporting on the completion of phase one of four in the program. The IG found that certain elements of the Sentinel Program would be delayed, and identified some cost overruns for the program, suggesting that the program will need continued monitoring to ensure the program accomplishes its goal of creating a functional IT system for the FBI. While supportive of funding for Sentinel, the Judiciary Committee is committed to conducting vigorous oversight of the FBI to ensure the Sentinel Program remains on budget and on schedule.

The Judiciary Committee will also pursue oversight of additional budget-related matters at the FBI. For example, we will continue to examine whether the FBI has been successful in developing, training, and retaining its growing workforce of intelligence analysts.

We are pleased with the progress the FBI has made in clearing its backlog of pending name checks, and we are hopeful that the FBI will continue to make efficiency a priority in the name check process to avoid future backlogs. The National Name Check Program (NNCP) reportedly receives between 3.3 and 3.5 million name check requests annually. Of these, more than 1.5 million are related to immigration cases from the Department of Homeland Security, followed in volume by requests from the Office of Personnel Management and the State Department. Given the critical importance of these security processes, we emphasize our hope that the FBI will continue to improve the program's efficiency and effectiveness.

Civil Rights

The Department of Justice plays a vital role in prompt enforcement of our civil rights. I 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. I support the President's request of $145 million for the Civil Rights Division at the Department of Justice.

Emmett Till Unsolved Civil Rights Crime Act - The Emmett Till Unsolved Civil Rights Crime Act of 2007 (Public Law 110-344) ("Emmett Till Bill"), was signed into law on October 7, 2008. The Emmett Till Bill should be fully funded to ensure that the Federal Government can investigate and prosecute unsolved civil rights cases before the window of time to do so closes.

The Emmett Till Bill authorizes $10 million for the Attorney General to investigate and prosecute decades-old violations of criminal civil rights laws. The bill authorizes $2 million in grant awards to State and local law enforcement agencies for expenses associated with the investigation and prosecution of criminal offenses involving decades-old civil rights murders. It also includes $1.5 million for the Community Relations Service of the Department of Justice to provide technical assistance to bring together law enforcement agencies and communities to investigate decades-old violations of criminal civil rights laws. I recommend full allocation for Emmett Till Bill programs at the authorized levels.

Hate Crimes –After more than a decade, the Local Law Enforcement Hate Crimes Prevention Act ("Hate Crimes Act") was enacted last year as part of the National Defense Authorization Bill (public law 111-84). This legislation should be fully funded to provide support for Federal authorities to investigate and prosecute crimes based on race, color, religion, and national origin.

Office of Inspector General (OIG)

The Office of Inspector General (OIG) plays an important role in oversight and improvement of the Department of Justice's functions, and will play a crucial role in the coming years to restore confidence in the Department of Justice. The OIG has exercised responsibility for many important investigations, including matters relating to the removal of U.S. attorneys and alleged politicization in the Department of Justice's hiring process for career employees; a follow-up review of the FBI's use of national security letters; a review of the Justice Department's involvement with the National Security

Agency terrorist surveillance program; and a review of the FBI's involvement in and observations of detainee interrogations in Guantanamo Bay, Iraq, and Afghanistan. These reviews and the OIG's continued oversight are essential to restoring the independence and integrity of the Department of Justice.

The administration has requested $88.8 million for the Office of the Inspector General, and I support the request.

Freedom of Information Act (FOIA)

A key reform in the Open Government Act of 2007 (Public Law 110-175) is the creation of the Office of Government Information Services (OGIS) in the National Archives and Records Administration. Among other activities, OGIS mediates disputes between Federal agencies and FOIA requestors and reviews agency compliance with FOIA. Congress provided initial funding in the 2009 Omnibus Appropriations Act to establish this critical office. In 2009, President Obama appointed the first Director for OGIS and OGIS has begun its important work. However, additional resources are needed in order for OGIS to fulfill its obligations under the OPEN Government Act. Accordingly, I recommend allocating additional funding for OGIS to secure resources, so this important office can carry-out its mission.

Secret Service

Cyber and identity crime investigations conducted by the Secret Service are essential to protecting our Nation's financial and telecommunications infrastructure. Funding is needed to support the highly successful operations of the Secret Service's Electronic Crimes Task Force (ECTF) initiative – an initiative that has attracted broad, bipartisan support from Congress since passage of the USA PATRIOT Act of 2001. Financial fraud and identity crimes committed both domestically and abroad, continue to plague our Nation's critical financial infrastructure. One of the most effective means of combating organized criminal elements and the criminal abuses of technology, both in the U.S. and abroad, is through the use of the Secret Service's ECTFs. The ECTFs are a proven, resounding success, creating groundbreaking partnerships between Federal law enforcement, their local police and prosecutorial partners, and the private sector and academia. These task forces, strategically placed throughout the country, have become the primary conduit for cooperation between the Federal Government and the private sector in the prevention, detection and investigation of electronic crimes. I recommend increased funding for this highly successful program 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. I recommend allocating full funding to 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). 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 the amount of $1,450,000 for FY 2011, in order to permit this important work to be accomplished.

U.S. Patent and Trademark Office

We urge the Committee to fully allocate for the United States Patent and Trademark Office (PTO) and to prevent the diversion of fees from the agency to other governmental bodies. This funding would provide critical resources to the PTO, which currently faces an overwhelming backlog of patent applications. In order to cut down on backlog and increase patent quality, the agency needs the full allocation of resources to hire more examiners and staff members.

Intellectual Property Enforcement Funding

Industries based on intellectual property (IP) account for more than $5 trillion of the U.S. gross domestic product, drive more than half of U.S. exports, and employ over 18 million Americans. I urge full funding of initiatives aimed at fighting intellectual property theft, particularly those undertaken by the Department of Justice for intellectual property rights enforcement. In particular, Public Law 110-403 authorized $25 million in each of fiscal years 2009 to 2013 to make grants to eligible State or local law enforcement entities to combat intellectual property theft and infringement crimes; $10 million in each of fiscal years 2009 to 2013 to hire ten additional agents at the FBI designated to support Computer Crime and Intellectual Property Section, ensure all Computer Hacking and Intellectual Property Crime Units are supported by at least one FBI agent, ensure all Computer Hacking and Intellectual Property Crime Units are assigned at least two Assistant United States Attorneys and provide appropriate training; and authorized $10 million in each of fiscal years 2009 to 2013 for the FBI and the same amount for the Criminal Division to hire and train law enforcement officers and to procure advanced tools for investigating high tech crimes. We urge the Committee to fully fund these new law enforcement programs that will benefit our economy.

Public Law 110-403 also elevated the intergovernmental coordination of intellectual property enforcement efforts within the administration from the Department of Commerce to the White House with the creation of the Intellectual Property Enforcement Coordinator. The Coordinator will chair a council of representatives from every Department and agency that actively participates in the enforcement of intellectual property. The Coordinator has been nominated, confirmed and appointed but needs a budget and staff to be effective.

The Federal Judiciary and Court Security

The Judiciary Committee recognizes the essential role that an independent Federal judiciary plays in our constitutional system of government. We understand that Federal judges have no control over the number of cases filed in Federal courts and have little flexibility in how quickly these cases must be handled. The judiciary's workload is heavily influenced by national policies initiated in the Executive and Legislative

Branches. In an effort to supplement the annual appropriation for the Federal judiciary, the Committee makes the following requests:

Court Security Improvement Act - In 2008, the Court Security Improvement Act (public law 110-177) was enacted into law. This law demonstrates Congress's strong support for the safety and security of the Nation's court personnel. I suggest allocating the authorized level of$55 million for FY 2011.

New Federal Judgeships - Looking ahead, there is a need for new Federal judgeships to address the judiciary's increasing caseloads. Since 1990, case filings on Federal appellate courts increased by 55 percent and case filings on Federal district courts rose by 29 percent. In 2006, the weighted number of filings in district courts, which takes into account an assessment of complexity, were 464 per judgeship, well above the Judicial Conference's standard. The same year, the national average circuit court caseload per three-judge panel approached the record number of 1,230 cases, recorded a year earlier. I expect the Judiciary Committee to consider legislation during this session that would add additional judgeships to the Federal district and circuit courts to address this shortfall based on the recommendations of the Judiciary Conference of the United States and as reflected in S.1653, Federal Judgeship Act of 2009.

Thank you again for soliciting these views and estimates for FY 2011. I look forward to working closely with you on this and other issues.

Sincerely,

Patrick Leahy

PATRICK LEAHY
Chairman

United States Senate

COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510-6325

March 5, 2010

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

Dear Senators Conrad and Gregg:

This responds to your letter dated February 12, 2010, regarding the views and estimates report for fiscal year 2011 of programs under the jurisdiction of the Committee on Rules and Administration.

Consistent with Section 411 of the 2010 budget resolution, the Committee reviewed its jurisdictional programs, including its Legislative Branch accounts, and determined that, to its knowledge, there are no expenditures which appear to rise to the level of "waste, fraud, and abuse" for program spending.

The President's Budget for FY2011 for the Rules Committee's Legislative Branch accounts was also reviewed. No significant changes for the purposes of the budget resolution are anticipated.

I welcome the opportunity to comment on the President's budget proposal for programs under the Rules Committee's subject matter jurisdiction, and respectfully request additional funding for the following two programs.

Military and Overseas Voters Empowerment Act ("MOVE"Act)

In the first session of the 111th Congress, Congress passed a substantial overhaul of the *Uniformed and Overseas Citizens Absentee Voting Act* (P.L. 99-410). The Rules Committee reported S. 1415, the Military and Overseas Voter Empowerment Act ("MOVE Act") in July 2009. This legislation had the support of 59 cosponsors. The amended version of the MOVE Act was included by unanimous consent in the *National Defense Authorization Act for FY2010* (P.L. 111-84), which was signed into law by the President in October 2009.

A major policy goal of the MOVE Act is to ensure that military and overseas voters have an opportunity to register, to cast a vote, and to have that vote counted. The MOVE Act places several requirements on the States to assist military and overseas voters. The requirements for

States to comply with the provisions of the MOVE Act are new, and there is no previous budget baseline provided by the Congressional Budget Office. I therefore request that funding for State compliance for the MOVE Act be included in the FY2011 budget.

To help States implement the provisions of the MOVE Act, I request $100 million for distribution to the States as requirements payments for compliance, as specified by Section 588 (a)(2) of P.L. 111-84, and pursuant to Section 257(a)(4) of the amended Help America Vote Act. These payments to States will be distributed by the Election Assistance Commission and will be used to assist our military and overseas citizens in registering to vote and casting their ballots, and to support State election administrators to ensure all military and overseas votes are properly counted. The new mandates of the MOVE Act place new requirements on States, and we should make certain that States have the support they need.

Help America Vote Act ("HAVA")

The President's FY2011 budget has completely eliminated important funding for the States that was authorized under the 2002 Help America Vote Act (HAVA), P.L. 107-252. The Congressional Budget Office has a fiscal year 2010 baseline of $76 million for "election reform programs." This amount largely reflects the HAVA-authorized requirements payments to States to pay for election administration costs, including purchasing and maintaining voting equipment, creating and implementing statewide voter databases, and other responsibilities.

To date, there remains a shortfall of $398 million in the amount authorized for requirements payments to the states as well as other unfunded expenditures for implementing the federal election administration and technology requirements under Title III of HAVA, and the total appropriated through FY2010 by Congress. I recommend that $398 million be included in the FY2011 budget resolution for these unfunded authorizations. While the President's budget states that there is a large amount of previously appropriated funding for requirements payments that has not been used, a closer look at the distribution of this unused funding is necessary. In fact, a very small number of states account for nearly all of the unused appropriation, and the vast majority of states have very little remaining. A few states have spent 100% of their requirements payments to date. It does not make sense to penalize most states for the delays of a few.

The President's FY2011 budget requests a total of $34.21 million for the Election Assistance Commission (EAC), the National Institute of Standards and Technology (NIST), and other election administration and technology reform initiatives, which I support. It is the responsibility of Congress to help ensure that the results of federal elections are accurate, reliable, secure, and transparent by providing adequate funding.

Enclosed is a letter from a broad coalition of organizations representing State and local governments, as well as voting rights and disabilities communities, urging Congress to fully fund the Help America Vote Act in the budget resolution.

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 director, Jean Bordewich, or chief counsel, Jason Abel, at 224-6352.

Sincerely,

Charles E. Schumer
Chairman

Enclosure

OPEN LETTER TO CONGRESS:

HONOR COMMITMENT TO ELECTION REFORM

SUPPORT FULL FUNDING FOR HAVA

March 2, 2010

We, the undersigned organizations, are deeply appreciative of the Help America Vote Act (HAVA) funding that states have received since the law's passage in 2002. 2010 marks the fifth federal election cycle since HAVA became law, and the third federal election cycle since states and localities were required to meet its deadlines for federally-mandated voting processes and equipment.

As such, we urge you to honor your commitment to election reform and appropriate the remaining $387 million in authorized funding for requirements payments to States and $11 million for the U.S. Health and Human Services Department to assist states with ensuring polling place accessibility for people with disabilities and maintaining the protection and advocacy programs. These amounts represent the difference between what Congress promised for comprehensive, long-term assistance to states in adopting HAVA mandates, and the very real possibility that such reforms cannot be sustained or fully realized.

While states and localities have done much of the groundwork to put HAVA requirements in place, the lack of full federal funding has significantly hindered their initial plans for implementation and resulted in significant cost increases. Nowhere is this more obvious than in voting machine certification and purchasing. Congressional delay in providing proper funding for the U.S. Election Assistance Commission (EAC) and the National Institute of Standards and Technology (NIST) prevented the timely development of voting system guidelines and the creation of a federal voting system certification program. Some state and local governments were unable to utilize existing equipment, while others had to replace voting equipment more than once in an effort to comply with evolving guidance on accessibility and security.

The development of statewide voter registration databases and major upgrades to voting systems have been two of the most costly, yet innovative outcomes of HAVA. Without full funding, there is very little hope that states can manage the costs of these election improvements. Full funding will also help maintain efficiency and effectiveness in poll worker training and voter education during this period of rapidly changing election laws.

For example, federal law now requires state and local governments to implement new processes for military and overseas voters which include electronic delivery methods for election materials and ballot tracking mechanisms. These common sense requirements, while commendable, were adopted by Congress in October 2009 without any funding to support them.

In summary, we ask for your support in authorizing the remaining $398 million dollars that was originally allocated in HAVA. It is critical to fulfilling the promise of election reform and to providing resources that will help state and local governments meet their long-term challenges.

Should you have any questions, please contact the organizations listed below.

Sincerely,

Organizations Representing State and Local Election Officials
The Election Center
International Association of Clerks, Recorders, Election Officials and Treasurers
National Association of Counties
National Association of Secretaries of State
National Association of State Election Directors
National Conference of State Legislatures

Civil and Disability Rights and Voter Advocacy Organizations
American Association of People with Disabilities (AAPD)
American Civil Liberties Union (ACLU)
American Federation of Labor-Congress of Industrial Organizations (AFL-CIO)
American Federation of State, County and Municipal Employees
Asian American Justice Center
Brennan Center for Justice at NYU School of Law
Common Cause
Demos
Fair Elections Legal Network
FairVote
Lawyers' Committee for Civil Rights Under Law
Leadership Conference on Civil and Human Rights
NAACP Legal Defense and Educational Fund, Inc.
NAACP National Voter Fund
National Association of Latino Elected and Appointed Officials (NALEO) Educational Fund
National Gay and Lesbian Task Force Action Fund
Paralyzed Veterans of America
People for the American Way
Project Vote
SAVE
U.S. Public Interest Research Group

United States Senate

COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510–6350
TELEPHONE: (202) 224-5175 FAX: (202) 224-5619

March 5, 2010

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

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

Dear Kent and Judd:

As Chair of the Senate Committee on Small Business and Entrepreneurship, I submit the following views and estimates on the President's Fiscal Year (FY) 2011 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 your past support of small business and the SBA, and also for considering these views as you prepare the FY2011 budget.

<u>FY 2010 Budget Request Overview</u>
Armed with its technical assistance, counseling, oversight and finance programs, the Small Business Administration is an important resource for entrepreneurs and economic development in this country -- for the family-owned grocery store anchoring a small downtown, or the start-up run from a garage. With more than 120 million men and women depending on the payroll of a small business, any uncertainty or slow down in the small business community is felt by a significant portion of our nation's families. These businesses are the most vulnerable during times of economic uncertainty. Since the onset of the 2008 recession, many small businesses across the nation have been forced to cut payrolls and reduce benefits as costs increased and revenues declined, resulting in nearly 80 percent of all job losses coming from small businesses.

The SBA's finance and counseling programs, when adequately funded, can help counteract the reversal of fortunes in the small business community and save and restore jobs so badly needed. Yet, the difficulty of the SBA's chief task has been profoundly compounded by two limitations: eight consecutive years of SBA budget cuts to its core programs, amounting to reduction of almost 28 percent overall, and the increasing demand brought on by the financial crisis.

President Obama signaled a change in course with a request of nearly $800 million for FY2009, an increase of nearly 40 percent increase over the FY2008 request. This, coupled with the American Recovery and Reinvestment Act, helped revitalize the SBA and its programs. For FY2011, President Obama has reiterated his support of small businesses with a request of approximately $994 million in new budget authority for the Agency, including $165.4 million for the SBA's largest loan guaranty program, 7(a), to prevent fee increases on borrowers and lenders, and more than $200 million for administering the Disaster Loan Program. While I am pleased with the President's overall request and recognize it as another significant step towards rebuilding the SBA, the state of the economy and the need to create jobs makes small business assistance more important than ever and I, therefore, respectfully submit the following recommendations and request $1.094 billion in new budget authority for the SBA's FY2011 budget. This request is responsible and reasonable, amounting to less than what was requested for and provided to the Agency ten years ago.

7(a) and 504 Loan Guaranty Programs

Since the start of the financial crisis in 2008, access to credit has become a critical issue facing small businesses. Consequently, the need for SBA loan guaranty programs has never been more essential. The American Recovery and Reinvestment Act (ARRA) included important temporary provisions that increased the guarantee on 7(a) loans and eliminated the borrower fees on 504 and 7(a) loans to jumpstart lending to businesses that were in desperate need of capital. The provisions helped more than 40,000 small businesses receive more than $18 billion in SBA loans. These businesses have reported that these funds will help them create or retain more than 500,000 jobs. However, as these funds expire, we are concerned that the business loan programs at the SBA will still need support, especially with regards to the fees assessed on these loans. These programs have proven very effective at jumpstarting lending and now is not the time to raise fees on borrowers or SBA's lending partners. To offset the need for increases on 7(a) loans, the President's budget requests $165,400,000 for this program. I fully support the request because it is critical to keeping this source of long-term capital accessible to small businesses in our communities.

The Administration's budget proposes to increase the borrower fee from 0.389 percent to 0.749 percent per annum starting in 2011 for borrowers in the 504 program. At an authorization level of $9.5 billion, this would be a $3.42 million fees charged to 504 borrowers. As this is an ongoing fee, this fee will be charged to borrowers in each year their loan is outstanding. Borrowers are also charged an upfront fee of 0.5 percent on the first mortgage tied to the 504 loan. At a time when businesses are facing tightened lending requirements, increasing their loan fees will create one more financial blockade they must surmount in order to utilize the SBA's financing programs. Provisions in ARRA currently offset the "CDC fee," which is paid by the borrower to the originating CDC each year as an "on-going" fee. This fee is 0.00125, or 1/8th percent. At the $9.5 billion authorization level, this fee will total $1.2 million. To offset the increase in fees charged to borrowers in the 504 program, I request $4.2 million to offset the increased borrower fee and $1.2 million for the CDC fee, for a total of $4.6 million.

Microloan and PRIME Programs

In the face of the ongoing credit crisis, we must support the SBA's Microloan Program. The Microloan Program has been one of the most successful SBA programs to date. Since its implementation in 1992, the Microloan Program has proven tremendously effective at reaching and serving the needs of minority, women, and rural small business owners, while incurring virtually no losses to the taxpayer. SBA micro-intermediaries that provide technical assistance to our smallest businesses report that demand is up from 50 to 75 percent. This is particularly true in states where the unemployment rates are high and people have been out of work for six months or more and have concluded that their best hope for an income is to start their own business. Some microlenders report that even borrowers with good credit scores, in the 700s, who two years ago would have been able to get a loan from a bank, are now being turned away from banks and are looking to microlenders to provide them with loans. In order for the SBA's microloan programs to operate effectively and help meet demand, we respectfully request that you consider $26 million for the SBA's Microloan programs: $4 million for microloans and $22 million for Technical Assistance grants to microlender intermediaries.

We also respectfully request $10 million for the Program for Investment in Microentrepreneurs (PRIME). The PRIME program provides unique, intensive, one-on-one business counseling that is mainly targeted toward low-income individuals, those with the least access to business resources.

New Markets Debentures and Technical Assistance

The New Markets Venture Capital (NMVC) program provides venture capital and technical assistance to firms with high-growth potential in high-unemployment areas, both urban and rural. During reauthorization in the last congress, our Committee gathered information demonstrating that the NMVC program is ahead of even the Agency's expectations in success. As with years past, we respectfully request that you restore funding for the NMVC program that was rescinded in the FY2003 Omnibus Appropriations Act Conference Report: $8.4 million for guaranteed debentures, and $11 million in grants for NMVC technical assistance. This would allow the SBA to back up to seven new funds, investing up to $62 million in promising firms where investment capital and economic activity is needed the most.

Lender Oversight

Providing the SBA with adequate funding to improve its current lender oversight system is one of our Committee's top priorities. While the Agency deserves credit for making progress in implementing policies outlined in a 2004 GAO report, there is still much work to be done. Several recent reports by the SBA Inspector General have brought to our attention significant flaws remaining in the oversight process, which have caused the SBA to lose millions of dollars through its lending programs. Insufficient funding in previous fiscal years has led to cuts in staffing and inadequate controls for portfolio review, among other problems outlined in the reports. While there is a need for more on-site and off-site reviews of lenders, it remains unclear if the current reviews are effective and if the lenders should be charged for those reviews. Therefore, in order to address these issues, protect taxpayer investments, and keep the SBA's core mission intact, we support the President's budget request of $2 million to support the oversight system and offset lender oversight fees. This increase will enhance other oversight efforts currently in place and allow the Office of General Counsel and the Office of Capital Access to work towards even lower default rates and reinforce the SBA's history of serving as a good steward of taxpayer dollars. Additionally, it will reduce the impact on lenders from the increased costs associated with the lender review process.

Small Business Development Centers

Due to the tough economic conditions, Small Business Development Centers (SBDCs) are continuing to see unprecedented levels of demand–many SBDCs have two to three week waiting lists. In order to meet the increased demand, we request $135 million for the centers, and a separate $3.5 million for the Veterans Assistance and Services Program, which was enacted as part of the Military and Reservist Small Business Reauthorization and Opportunity Act, and a separate $5 million for the Small Business Energy Efficiency Program, which was enacted as part of the Energy Independence and Security Act.

The SBDC program creates jobs, increases economic activity, and does so in a cost-effective manner. When compared to businesses that did not receive SBDC assistance, SBDC clients experience job growth rates that are 17 times higher, and sales growth rates four-times higher. According to the Association of Small Business Development Centers, in 2008, the counseling and technical assistance services they offered lead to the creation of 58,501 new jobs and helped to save 88,889 jobs. By retaining jobs, the SBDC provides a staggering cost-benefit, as it saves on unemployment costs, which are a heavy burden on many states. Most critically, this program provides these results in a cost-effective manner–for every Federal dollar spent, $2.20 is returned to the Treasury in the form of increased tax dollars.

SCORE

By utilizing a team of more than 11,000 experienced volunteers, donating more than 1 million service hours, SCORE provides expert training to hundreds of thousands of entrepreneurs and small business owners each year at a very low cost to the taxpayer. In spite of these impressive resources and accomplishments, the program has struggled to meet demand due to years of flat funding under the last Administration, a situation exacerbated by the economic downturn because it has caused a dramatic increase in requests for SCORE's services. Despite funding constraints, services have grown, including a 13-percent increase last year, in part due to SCORE's critical advancements in its technological and online infrastructure. In order to continue to sustain, improve and expand the quality services and programs that SCORE provides, and allow volunteers to continue to effectively serve entrepreneurs in our communities, I request $11.5 million for FY2011.

Office of Veterans Business Development

Since 2001, more than two million service members have deployed in Operation Iraqi Freedom and Operation Enduring Freedom. And, upon return, 18 percent of veterans are unemployed one to three years later. Of those who are employed, 25 percent earn less than $21,840. Returning veterans have sacrificed on our behalf and deserve the Federal government's assistance in returning to civilian life, and particularly in finding gainful employment. In an effort to meet that obligation, the Committee advocates an approach that would provide regional veteran business outreach centers that serve multiple states and work closely with already established SBA resource partners to provide business counseling and assistance to veteran and reservist entrepreneurs. Therefore, to carry out this approach, and to fulfill the mandates of P.L. 110-186, which requires the SBA's Office of Veterans Business Development (OVBD) to increase outreach to veterans and to increase the number of veteran business outreach centers nationwide, and also the mandates of the Omnibus Appropriations Act of 2009, which called for the OVBD to take over the funding of three existing veteran business resource centers (VBRCs), I recommend funding for OVBD at $3.5 million in FY2011.

Women's Business Centers Program

For more than 20 years the Women's Business Center (WBC) program has successfully provided business counseling and assistance to women with an emphasis on those who are socially and economically disadvantaged. Like the other counseling programs, Women's Business Centers have seen an increase in demand from entrepreneurs hoping to establish a small business, as well as requests from existing small business owners hoping for assistance as they attempt to survive the down economy. Much of the country is still not served by this program, as Arkansas, Idaho, Kentucky, Montana, Wyoming, Washington, DC, Guam, Northern Marianas Islands and the US Virgin Islands remain without centers. In order to fund the present 110 centers at the full amount of $150,000, and allow the creation of eight new centers at full funding, the program requires $17.7 million in funding.

Native American Outreach

The Native American Outreach program is the only SBA program tailored to meet the needs of the Native American community. According to the most recent report released by the U.S. Census Bureau, the "three year average poverty rate for American Indians and Alaska Natives was 25.9 percent higher than for any other race groups." Fortunately, research shows that entrepreneurial development is playing a significant role in promoting healthy tribal economies. Data from the 2000 U.S. Census shows that since 1997 the number of Native American-owned businesses has risen by 84 percent to 197,300 and that their gross incomes have increased by 179 percent to $34.5 billion. Despite this growth, more resources are needed to provide critical technical assistance and ensure the economic sustainability and growth within tribal communities. Therefore, I recommend that the FY2011 Budget Resolution provide $1.5 million for the Native American Outreach program.

Office of Technology

The Office of Technology is responsible for promoting and monitoring the highly successful Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs, which allocate more than $2 billion annually to small, high-technology firms through participating SBIR and STTR federal agencies. Unfortunately, the Office has seen its operating budget cut significantly over the last 19 years, despite the programs' growth and increased statutory duties. Consequently, I was pleased that the President took a step to reverse this trend and requested $2 million to improve data collection, oversight, and best practices for the SBIR and STTR programs. These funds are essential to providing adequate controls and ensuring databases are updated and fully functional. I believe the $2 million requested by the Administration should be listed as a line item for the Office of Technology and should also go towards additional staff and outreach.

Office of International Trade

Since its establishment 30 years ago, the SBA's Office of International Trade has provided thousands of small businesses with crucial access to export financing and technical assistance programs. In FY2009, the Office's 18 export finance specialists posted in U.S. Export Assistance Centers (USEAC) throughout the country facilitated almost 1,500 international trade and export loans, generating $1.6 billion dollars in export sales and creating or saving approximately 17,000 jobs. However, due to decreases in funding for this and other programs operated by the office in recent years, the Agency continues to maintain fewer specialists today than in 2000 (18 today versus 22 in 2000). Large portions of the country - including the Mid-Atlantic, Mountain West and Northeast regions - continue to be underserved.

Encouraging more small businesses to export will not only help these businesses to expand their customer base and create new and better paying jobs, but it will also have immense positive benefits for our economy. To achieve the Administration's ambitious goal of doubling U.S. exports within five years, it is imperative that the Agency be provided with adequate resources to support increased demand for export assistance from small businesses. The President's FY2011 budget request includes $5.6 million for the Office, enough to maintain the USEAC program and others at their current levels. However, Committee research has found that an additional 12 export specialists should be hired to meet the needs of small businesses and further our exporting goals and therefore, I recommend a funding level of $9 million.

Contracting: 7(j) Technical Assistance

The federal government purchases more than $425 billion goods and services each year. Unfortunately, the path to doing business with the federal government is fraught with obstacles requiring a specific knowledge few small business owners possess to navigate. These are particularly great for minorities, women, and veterans. These groups tend to be first-generation entrepreneurs with limited start-up capital and business expertise. With a federal statutory goal of small businesses receiving 23 percent of this business, it is imperative that the SBA's technical assistance programs for contracting be adequately funded. The 7(j) Technical Assistance Program provides essential training and business counseling to small disadvantaged businesses. I, therefore, request$10 million for FY2011 for the 7(j) Technical Assistance Program.

Procurement Center Representatives and Commercial Marketing Representatives

There is also a great need to improve oversight of federal contracts with respect to small business participation. The SBA is primarily responsible for reviewing more than $425 billion in federal contracts awarded annually throughout the United States. One way the SBA currently takes on this task is with the efforts of a few dozen full-time procurement center representatives (PCRs) and commercial marketing representative (CMRs). These vital reviewers are underfunded and severely understaffed, making it virtually impossible to be effective in advocating on behalf of small businesses with respect to prime and sub-contracting opportunities. I, therefore, recommend $10 million in funding to hire a combined total of approximately 100 additional PCRs and CMRs. These PCRs and CMRs are to be assigned to major procurement centers and will be responsible for creating contracting opportunities for small and local firms, as well as reviewing potentially bundled federal contracts.

Disaster Loan Account

In addition to its mission to represent the interests of small businesses, the SBA also provides essential recovery assistance to homeowners, renters, businesses, and nonprofits in the aftermath of disasters. Following Hurricanes Katrina and Rita in 2005, the Agency was criticized for a general lack of preparedness before the storms and a lack of responsiveness after the disasters. The Committee recognizes that the Agency has made significant progress since 2005 in improving its disaster planning and response capabilities, both through administrative action and through expanded legislative authority provided by P.L. 110-234, the Food, Conservation and Energy Act of 2008. I, therefore, support the President's request for a program level of $1.1

billion in disaster loans, as well as his request of $203 million to operate the program. Please note that, of this $203 million requested, $193 million would be for direct administrative expenses of loan making/servicing; $9 million for indirect administrative expenses; and $1 million for the Office of Inspector General for audits/reviews for disaster loans.

Small Business Energy Programs
Programs which incentivize energy efficiency are vital at a time when stories energy independence is streaming across the evening news and causing concern among Americans who see their energy and gas bills increase each month. Through efforts to increase energy efficiency, small businesses can contribute to America's energy security and help reduce their carbon footprints, while also strengthening their competitive advantage. With 26 million small businesses in the U.S. producing approximately half of all the commercial and industrial energy in the U.S., the role small businesses can play in forging a solution to rising energy prices is undeniable. The Energy Independence and Security Act of 2007 (P. L. 110-140) included several small business provisions that have yet to be fully implemented at the SBA. In order to provide the SBA with the resources it requires to begin implementation of these energy programs, I respectfully request $5 million for the Small Business Energy Efficiency Program, Small Business Telecommuting Program and the Renewable Fuel Capital Investment Company Program.

Office of Advocacy
Finally, the SBA Office of Advocacy is a vital office that serves as the independent, "regulatory watchdog" for small businesses within the federal government, ensuring that federal agencies adhere to their requirements under the Regulatory Flexibility Act (RFA), as amended by the Small Business Regulatory Enforcement Fairness Act. The RFA requires federal agencies to fully consider the effects of their regulatory actions on small businesses and to minimize any undue disproportionate economic burdens. Through its work in bringing small business concerns to the rulemaking table, Advocacy saves these firms billions in forgone regulatory costs, without undermining the federal agencies' regulatory goals. Advocacy also produces research studies on issues of key concern to entrepreneurs. This original research provides critical information to small business stakeholders and policymakers, including Congress, and, more specifically, the Senate and House Small Business Committees. The data produced by this research serves as an important resource for congressional hearings and congressional outreach to federal agencies. Moreover, this data serves as a benchmark for tracking key small business indicators. Without any clear guidance for a specific amount to be spent on vital small business economic data in either Advocacy's budget request or in the appropriations bills that follow, there is a danger that Advocacy's crucial research budget could be significantly reduced or eliminated with very little transparency to stakeholders and very little notice to Advocacy. In order to preserve Advocacy's independence, to enhance its mission of representing the nation's small businesses within the federal government's legislative and rulemaking processes, and to allow it to conduct new, independent research and update many of its key studies, the Committee recommends that the Office of Advocacy receive $2.5 million in a separate line item.

I know you have difficult decisions to make as you develop the Budget Resolution for FY2011 and appreciate your consideration of this request for $1.094 billion for the Small Business Administration. I believe this request is fiscally responsible, amounting to less than what was requested and provided to the SBA ten years ago, when adjusted for inflation, and will support SBA's core training and finance programs that so many small businesses rely upon, and provide sufficient funding for salaries and expenses to enable the Agency to carry out its mission. Thank you for the opportunity to comment on the FY2011 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.

Sincerely,

Mary Landrieu

Mary L. Landrieu
Chair

United States Senate
COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP
WASHINGTON, DC 20510-6350
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March 5, 2010

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 2011 budget request for the Small Business Administration (SBA) and other matters under the Committee's jurisdiction, as directed by §301(d) of the Congressional Budget Act.

I firmly believe that it is our nation's 30 million small businesses that will drive our country out of this devastating economic recession. Based on conversations I have had with SBA Administrator Karen Mills, my constituents, and countless others, it is clear that pervasive uncertainty regarding the future direction of tax policy, skyrocketing health care costs, onerous regulations, and volatile energy prices has inhibited the job creation potential for small businesses across the country. Until the government provides more certainty on these issues, entrepreneurs will not be able to accurately calculate bottom line operating costs and will not make new investments, take new risks, and create new jobs – and our economic recovery will continue to be a "jobless" one, a situation that is simply unacceptable.

In addition to giving small businesses certainty in Federal policy matters, we must also bolster the SBA's critical lending, export, technical assistance, and procurement programs. Our investment in a strong and robust SBA is pivotal for keeping our nation innovative and competitive, and to creating jobs across America right now, at this pivotal juncture in our nation's history.

FISCAL YEAR 2011 SBA BUDGET OVERVIEW

The Administration has proposed a budget for the SBA of $994 million for Fiscal Year 2011, which is 21 percent above the Fiscal Year 2010 enacted level. Excluding the Disaster Loan program and funding for 7(a) loan subsidy, which is required to account for increasing defaults resulting from the devastating economic conditions for small businesses, this represents a 4.7 percent increase in the Agency's core programs over the Fiscal Year 2010 funding level.

I support the President's proposal for a modest increase to the SBA budget and believe that when effectively allocated, $994 million will have a powerful impact in generating economic growth. President Obama has committed to a freeze in discretionary spending, and I believe this effort should be the first of many steps to help address the growing deficit our nation faces. That being said, I support working within the President's funding request and hope this dedication to fiscal responsibility is shared by my colleagues.

The SBA will need to tighten its belt to account for the challenging economic times, just as millions of small businesses across the country are being forced to make budgetary cuts and sacrifices to ensure survival of their business. As a threshold concern, I am troubled by the requested increase of 16 percent, from $104 million in Fiscal Year 2010 to $121 million in Fiscal Year 2011, in office operating costs. When excluding disaster funding, 7(a) credit subsidy and earmarks, this $17 million increase represents an *unacceptable* 89 percent of the overall budget increase. Further, the Executive Direction budget request is $33.6 million, an increase of 30 percent over the Fiscal Year 2010 level and *double* the Fiscal Year 2009 level. Freezing overhead costs – including salaries, streamlining processes, improving program efficiency, and controlling administrative and operating costs are just a few of the ways I recommend the SBA maximize these resources. It is paramount that every taxpayer dollar going towards the SBA's proven core programs is equipping small businesses with the resources needed to continue to create new jobs and lead our country out of the current economic recession.

EXPAND ACCESS TO CREDIT

With the Federal Reserve's January Senior Loan Officer Opinion Survey finding that the percentage of banks easing credit terms for small businesses was zero percent – the same as it was last October – small business credit has been frozen for a staggering 13 consecutive quarters, a total of more than three years. Small businesses that are unable to access credit cannot sustain their operations or make job-creating investments. In December 2009, the Senate Committee on Small Business and Entrepreneurship passed the Small Business Job Creation and Access to Capital Act of 2009 (S. 2869). This bill, which I introduced along with Small Business Committee Chair Mary Landrieu, contains several provisions that I have long championed and would fill the gap created by the lack of conventional small business lending, including an increase to the maximum 7(a) and 504 loan levels from $2 million to $5 million, as well as raising the maximum microloan from $35,000 to $50,000. These provisions are modeled on my *Next Steps* legislation and have been strongly supported by President Obama. Additionally, this legislation would extend through 2010 the higher 90 percent guarantee rate, and lower fees on SBA loans that were passed in the *Recovery Act* and have sparked an 86 percent increase in lending.

7(a) and 504 Loan Guaranty. The lack of capital for small businesses caused by the credit crisis has increased the need for the SBA lending programs. The American Recovery and Reinvestment Act included important temporary provisions that have helped free-up credit and investment capital for small businesses. However, I am concerned that the economy's impact on the SBA's two largest loan programs will require the SBA to increase fees charged to borrowers and lenders in order to maintain the programs at zero subsidy, which would undermine those provisions included in the Recovery Act to help stabilize the credit markets and stimulate the economy. Consequently, I support the Administration's request of $165.4 million to offset any fee increases that might be needed to back $17.5 billion in 7(a) loan guarantees and $7.5 billion in 504 loan guarantees. The 504 program has also been a critical stabilizing force for small business borrowers and a driver of economic development. At the same time, rising defaults within the program are a growing concern. As the 504 program is supported by fees which burden small business owners with higher borrowing costs, I support $4.6 million to offset fees for the SBA's 504 borrower fee and the Community Development Corporation servicing fee. Offsetting these fees for a brief period will help small business owners, currently facing the worst credit environment in decades, to obtain capital at a reasonable cost.

Microloan Program. The SBA's microloan program helps our smallest businesses, which often come from underserved communities, receive financing and technical assistance during a time when it is extremely difficult for small businesses to access conventional loans. Out of the SBA's nearly 2,700 microloans granted in 2009, approximately 48 percent of loans went to women-owned businesses, and 53 percent went to minority-owned businesses. In Fiscal Year 2011, the SBA is projecting that roughly 10,000 jobs will be created or retained through the microloan program. I support the President's request for $3.8 million in credit subsidy budget authority to support a microloan direct loan program level of $25 million, as well as $10 million needed to support SBA's Technical Assistance Program, given that the SBA has not yet spent the $24 million provided under the American Reinvestment and Recovery Act (ARRA) for Microloan Technical Assistance.

Lender Oversight. Providing the SBA with adequate funding to improve its current lender oversight system is one of our Committee's top priorities. While the Agency deserves credit for making progress in implementing policies outlined in a 2004 GAO report, there is still much work to be done. Several recent reports by the SBA Inspector General have brought to our attention significant flaws remaining in the oversight process, which have caused the SBA to lose millions of dollars through its lending programs. Insufficient funding in previous fiscal years has led to cuts in staffing and insufficient controls for portfolio review, among other problems outlined in the reports. While there is a need for more on-site and off-site reviews of lenders, it remains unclear if the current reviews are effective and if the lenders should be charged for those reviews. Therefore, in order to address these issues, protect taxpayer investments, and keep the SBA's core mission intact, I support the President's request of at least $2 million in funding to support the oversight system and offset lender oversight fees.

New Markets. The New Markets Venture Capital (NMVC) Program provides venture capital and technical assistance to firms with high-growth potential in high-unemployment areas, both urban and rural. The NMVC program, according to information gathered by our Committee during reauthorization in the last Congress, is ahead of even the Agency's expectations in success. I respectfully request that you restore a portion of the funding for the NMVC program that was rescinded in the Fiscal Year 2003 Omnibus Appropriations Act Conference Report: $8.4 million for guaranteed debentures, and $11 million in grants for NMVC technical assistance. This would allow the SBA to back up to five new funds, investing millions in promising firms where investment capital and economic activity is needed the most.

INCREASE EXPORT OPPORTUNITIES FOR SMALL BUSINESSES

In addition to credit, small businesses also require increased demand for their goods and services. Given that less than one percent of U.S. small businesses export, it is vital that we do much more to take advantage of this untapped potential and help U.S. small businesses compete globally. For this reason, I, joined by Senate Small Business Committee Chair Mary Landrieu, introduced the *Small Business Export Enhancement and International Trade Act of 2009* (S. 2862), which our panel passed unanimously last December to improve the programs and assistance available to small businesses seeking to export to foreign markets. Among other provisions, this legislation would improve the SBA's export finance programs, which enable exporting firms to finance foreign sales orders by making critical reforms and increasing the maximum export loan amounts from $2 million to $5 million; create a State Trade and Export Promotion grant program of $15 million per year to grow the number of small businesses that export their goods and services to foreign buyers; and enhance export promotion and assistance available through the SBA, Small Business Development Centers, and Women's Business Centers. This bill has the support of the U.S. Chamber of Commerce, the Small Business Exporters Association, and the Bankers Association for Finance and Trade.

United States Export Assistance Centers. According to the Commerce Department, each additional $1 billion in exports generates 14,000 U.S. jobs, and these jobs pay 18 percent more than non-trade-related jobs. Therefore, the $1.6 billion in exports that the SBA United States Export Assistance Center (USEAC) staff facilitated in Fiscal Year 2009 generated 22,400 new high-paying American jobs in that one year. The program continues to have fewer finance specialists at the USEAC hubs today than in 2000 (18 today versus 22 in 2000), and vast areas of the country, including my state of Maine, remain underserved. This directly harms our economy and small businesses seeking to export their goods and services. In order to expand the reach of this program and meet the demand of small business clients, I request a funding level of $8 million.

SUPPORT RECOVERY EFFORTS FOLLOWING NATURAL DISASTERS

Disaster Program. SBA plays a critical role in our nations recovery and reconstruction efforts by providing financial assistance to individuals and businesses who are victims of natural disasters. In Fiscal Year 2009, the SBA processed 96,643 disaster loan applications and approved approximately 22,000 loans to individuals and businesses to help them get back on their feet following a disaster. Since natural disasters are unpredictable, it is critical that the SBA's disaster program remains equipped to operate at full capacity in the wake of any natural disaster. Therefore, I support the President's funding request of $203 million to support at least $1.1 billion in disaster loans. Further, I support utilizing reserve amounts in the Disaster Loan Fund to support individuals and small businesses in future disasters, ensuring that the SBA's ability to aid victims of future disasters is not dependent on the appropriation of emergency funds from Congress.

PROVIDE CRITICAL TECHNICAL ASSISTANCE TO ENTREPRENEURS

SCORE. SCORE is a volunteer-based small business assistance network that is both cost-efficient and effective. By utilizing a cadre of 12,400 experienced volunteers, SCORE provides expert training to hundreds of thousands of small business owners each year at low or no-cost. Over 46 years, SCORE volunteers have served more than 8.5 million clients and in Fiscal Year 2010 assisted over 523,000 clients. The President has requested flat-funding for SCORE at $7 million, an insufficient amount, that would hinder the program from expanding and updating its scope of services. Consequently, I recommend that SCORE funding for Fiscal Year 2011 be increased to $9 million so that SCORE can adequately meet the needs of small business.

Small Business Development Center (SBDC) Program. The SBDC program is the SBA's largest and most extensive technical assistance program with approximately 1,000 service delivery points nationwide. Since its inception, the SBDC program has served over 12 million clients, including new business start-ups, struggling firms, and firms seeking to grow and expand. The SBDC program is a tremendous bargain for taxpayers, returning $2.20 in Federal tax revenues for every dollar spent and helping to create more than 12,700 businesses in Fiscal Year 2009.

SBDCs have exceeded the SBA's goals by reaching more customers and providing higher levels of service. The President proposes to keep SBDCs at the same level as last year at $113 million, while keeping up with the increased demand for services due to high unemployment and more individuals seeking advice in starting their own businesses. It is essential that the SBDC program is funded at $124 million in order to account for costs of inflation, to hire additional counselors, and to expand their services. Within the $124 million, I support $1 million for the Small Business Energy Efficiency Program, which was enacted as part of the Energy Independence and Security Act of 2007, and $1 million for the Veterans Assistance and Services Program, which was enacted as part of the Military and Reservist Small Business Reauthorization and Opportunity Act.

Additionally, I want to note that the Administration has again proposed language to waive section 7(e) of the Small Business Act. Section 7(e) requires that funds appropriated to the SBDC program be allocated solely according to the statutory formula. That formula is based on population statistics derived from Census data and has been amended by Congress several times to ensure that funding is fairly allocated across the network, particularly to smaller states. The Administration's proposal would eliminate that formula and allow the SBA broad discretion in awarding SBDC funds, which would undermine the efforts of SBDC host institutions to support the current extensive national network. I oppose any change to, or waiver of, the current formula, as it is a fair and transparent method of distributing resources.

Women's Business Centers (WBCs). The success of women-owned firms has generated almost $3 trillion in revenues and employed more than 13.1 million workers, making women-owned businesses the fastest growing segment of today's economy. The SBA has estimated that in Fiscal Year 2009, the Women's Business Center programs provided counseling and training to over 150,000 clients across the country, including a significant number that are socially and economically disadvantaged or who live in economically distressed communities. In addition, research from the National Women's Business Council found, looking at business revenue growth alone, there has been an extraordinary 14 to 1 return on the annual investment in the WBC program.

The President's proposal to flat-fund the WBC program at Fiscal Year 2010 funding levels has failed to recognize the overwhelming demand that already exceeds the services offered to a fast growing segment of women entrepreneurs seeking counsel in starting and growing their businesses. We cannot expect our WBCs to continue to meet the needs of their clients without providing them with the adequate funding to staff and expand their services. That is why I am requesting $17.7 million to restore WBC funding allocations to $150,000 per year, per center.

National Women's Business Council (NWBC). In light of the tremendous economic impact of women-owned firms, it is crucial to address their challenges through the legislative process, especially during the recent economic downturn. The National Women's Business Council (NWBC), created as part of the 1988 Women's Business Ownership Act, serves as an independent source of advice and counsel to the President, Congress, and the U.S. Small Business Administration. I strongly support the independence of the Council, and its mission to support women-owned businesses at every stage of development through strategic and innovative programs and policies. At the NWCB's inception in 1988, the founding legislation authorized funding up to $1 million. I am concerned by the President's request to exceed the authorized level for the NWBC by $900,000. I support full funding of $1 million for the NWBC to match the amount they received last year, and further encourage the economic powerhouse and job creation capabilities of women-owned businesses.

Office of Veterans' Business Development. Veterans face unique challenges and difficulties in readjusting to civilian life. Indeed, according to the U.S. Department of Labor, the unemployment rate of veterans from Gulf War era II (September 2001 to the present) stands at 12.5 percent, nearly three points higher than the national unemployment rate. Furthermore, returning veterans have sacrificed on our behalf and deserve the Federal government's assistance in returning to civilian life, particularly in finding gainful employment. In passing P.L. 110-186 in February of 2008, Congress made a commitment to provide additional funding to the SBA's Office of Veterans Business Development (OVBD) to bolster the number of veteran business outreach centers (VBOCs) nationwide.

For Fiscal Year 2010, Congress appropriated $2.5 million for the SBA's OVBD. This amount represents a $1.3 million increase above the enacted Fiscal Year 2008 level of $1.2 million. While this additional funding represents a welcome increase, OVBD simply must be funded at a higher level in Fiscal Year 2011 to fulfill its statutory duties. In light of the demands placed on this office, and in order to continue addressing the mounting needs of returning service members, I request funding for OVBD at a level of $3.5 million in Fiscal Year 2011.

Native American Outreach. I respectfully request that the Fiscal Year 2011 Budget Resolution provide $1.1 million for the Native American Outreach Program. This is the only SBA program tailored to meet the needs of the Native American community. According to a report released by the U.S. Census Bureau in February of 2006, the "three year average poverty rate for American Indians and Alaska Natives [from 1998-2000] was 25.9 percent higher than for any other race groups." With unemployment as high as 50 percent and poverty rates well above the national average, Native American communities need a commitment from the Federal government that we will help them build sustainable economic opportunities.

Small Business Energy Programs. Through efforts to increase energy efficiency, small businesses can contribute to America's energy security, while also strengthening their competitive advantage. With the nearly 30 million small businesses in the U.S. comprising 99.7 percent of all domestic employer firms and producing approximately half of all the commercial and industrial energy in the U.S., the role small businesses can play in forging a solution to rising energy prices is undeniable. The Energy Independence and Security Act of 2007 (P.L. 110-140) included several small business provisions that have yet to be fully implemented at the SBA, and require adequate funding. In order to provide the SBA with the resources it requires to begin implementation of these energy programs, I respectfully request $5 million for the Small Business Energy Efficiency Program, Small Business Telecommuting Program, and the Renewable Fuel Capital Investment Company Program.

BOLSTER INNOVATION & COMPETITIVENESS

Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) budgets have grown substantially over the past decade. With participating SBIR and STTR Federal agencies allocating more than $2 billion to small high-technology firms across the country each year, and following the research and development funding allocated through the Recovery Act, this amount will continue to increase. In order to continue the success of these crucial programs and provide the resources required to maintain proper implementation, I respectfully request at least $2 million for these programs to go toward additional staff, oversight, outreach, travel, and database maintenance.

Federal & State Technology (FAST). FAST, which was created in the 2000 SBIR Reauthorization Act, is a completive grant program that allows each state and territory to receive matching funds to provide services that increase participation in the SBIR and STTR programs. Funding in this program has been remarkably successful in increasing total SBIR dollars for small businesses statewide, including my own state of Maine. Given the program's past success, I am recommending that the FAST program be funded at $5 million.

INCREASE SMALL BUSINESS PARTICIPATION IN FEDERAL CONTRACTS

Office of Size Standards. Current and accurate small business size standards are critical in ensuring that the SBA and government-wide programs, including contracting and lending programs, reach all eligible small businesses in our economy. Therefore, I recommend that $2 million be provided to the Office of Size Standards for the purpose of improving its capacity to update size standards in a transparent and timely manner to reflect industry and economic shifts.

HUBZone Program. This program will help our nation's economic recovery – especially in our country's most impoverished regions. Unfortunately, due to the recent lack of effective oversight, the program has suffered from incidents of fraud, waste, and abuse, similar to that which occurred in the 8(a) program years ago. I am extremely supportive of a stronger, more transparent, and effective HUBZone program that helps ensure that qualified small firms in rural and economically disadvantaged areas of our country have equal access to Federal contracting programs. Thus, I am requesting $5 million for the HUBZone program for Fiscal Year 2011. This funding is necessary to support the many small businesses that are situated in high unemployment regions and lack the necessary support to grow, develop, and provide SBA with the tools to increase the integrity of the program.

Procurement Center Representatives (PCRs). Small business contractors save taxpayers' dollars and providing innovative solutions for the government's needs. As of Fiscal Year 2008, the Federal contracting market has well exceeded $500 billion. The SBA has set ambitious plans for small business participation in Federal contracts, and there is a great need to improve oversight of Federal contracts with respect to small business participation. The SBA is primarily responsible for reviewing more than $400 billion in Federal contracts awarded annually throughout the United States. One way the SBA currently takes on this task is with the efforts of a few dozen full-time procurement center representatives (PCRs) and commercial marketing representatives (CMRs). In Fiscal Year 2006, the SBA Inspector General found that small businesses lost approximately $380 million in contracting opportunities because the SBA failed to fully fund its Procurement Center Representative positions. The SBA's PCR staffing levels have been woefully inadequate. These vital reviewers are underfunded, making it virtually impossible to be effective in advocating on behalf of small businesses with respect to prime and sub-contracting opportunities. We are requesting a total of $7.5 million to hire an additional 30 PCRs and 30 CMRs. These PCRs and CMRs are to be assigned to major procurement centers and shall be responsible for creating contracting opportunities for small and local firms, as well as reviewing potentially bundled Federal contracts.

REDUCE REGULATORY BURDENS ON SMALL BUSINESS

Office of Advocacy. Small businesses rely on the Office of Advocacy to aggressively pursue compliance with the requirements of the Regulatory Flexibility Act of 1980. In Fiscal Year 2010, the Office of Advocacy sought to save American small businesses $5.5 million in foregone regulatory compliance costs, an unacceptable *decrease* from the $10.7 million in savings the Office of Advocacy realized for small businesses in Fiscal Year 2008. Further, the Office of Advocacy fell far short of its goal – by 72 percent - to train 100 Federal employees on reducing small business regulatory compliance costs.

I consider the Office of Advocacy one of the most critical components of the SBA, but I am extremely concerned by what seems to be a lack of commitment to reducing the burden of Federal government regulation on small businesses, as evidenced by the absence of a line item funding request for the Office of Advocacy in the President's budget. I believe that statutory and budgetary independence is critical for the Office of Advocacy, in order for the Office to carry out its duty of representing the views and interests of small businesses before other Federal agencies, and developing proposals for changing government policies to help small businesses. The Office of Advocacy must fight on behalf of small businesses, regardless of the position taken on critical issues by the Administration. That is why, last month, I introduced legislation with Senator Mark Pryor, S. 3024, to – among other things - ensure that the Office of Advocacy is independent and effective in its work to respond to changing issues and problems confronting small businesses. In order to support their critical mission, I am requesting an additional $2.5 million for the Office of Advocacy in Fiscal Year 2011, with the expectation that they use this money to set higher goals for regulatory cost savings and achieve higher results for America's small businesses.

Thank you for the opportunity to comment on programs within the Committee's jurisdiction. I appreciate your consideration of my request of $994 million for the SBA, and I look forward to working with you to develop a budget resolution that is cognizant of the need for strong small business programs that help create jobs and the imperative to be fiscally responsible with taxpayer dollars amid burgeoning deficits. 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,

Olympia Snowe

OLYMPIA J. SNOWE
Ranking Member

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

March 5, 2010

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

Dear Chairman Conrad and Ranking Member Gregg:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the Democratic and Independent Members of the Committee on Veterans' Affairs (Undersigned Members) hereby report to the Committee on the Budget their views and estimates on the Fiscal Year 2011 (FY11) 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 Undersigned Members support the President's request for the FY11 budget for the Department of Veterans Affairs, but recommend an increase, above the Department's requested discretionary amounts, of $30 million for Information Technology, $12 million for the Office of Inspector General, $25.5 million for Medical and Prosthetic Research, $235 million for Minor Construction, $20.5 million for Vocational Rehabilitation and Employment, and $57 million in funding for a new program to support family caregivers. The result of these recommendations is an overall funding amount of $380 million above the Department's requested discretionary amount for FY11.

The FY10 Appropriations Act (Public Law 111-117) provided $48.183 billion in resources for FY11 for three medical care accounts through advance appropriations. In addition to the appropriated resource level, we anticipate collections in the amount of $3.355 billion, for a total FY11 resource level of $51.538 billion. We support the Department's request for an increase over the FY10 funding level of $3.702 billion for medical care services.

While the requested appropriations level for FY11 appears sufficient to meet the estimated demands of FY11, we are concerned that the President's requested advance appropriations level for FY12 may not satisfy the health care needs of veterans, based on anticipated increases in veterans' health care service demands. At this time, however, we support the President's request of $50.611 billion in FY12 advance appropriations for the three medical care appropriations. When combined with the anticipated collections amount of $3.679 billion, the total requested resource level of $54.290 billion for FY12 would represent an increase of 5.3 percent over the FY11 estimate to support approximately 6.2 million patients. We anticipate adjusting this FY12 estimate over the coming year, as more current actual obligation data become available. In addition, we plan to review the Government Accountability Office's report on its analysis of the Administration's advance appropriations projections as compared to VA's Enrollee Health Care Projection Model.

With respect to mandatory benefits, sufficient funding should be provided to support a

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

reasonable increase in the Specially Adapted Housing Grant program for FY11 and to not impose a Cost-of-Living Adjustment round-down for the upcoming fiscal year.

II. DISCRETIONARY ACCOUNT SPENDING

A. Medical Services

The President requests an overall funding amount of $40.742 billion for Medical Services for FY11, an increase of $2.159 billion over the amount in FY10. We support the President's request for an additional $2.159 billion in funding for Medical Services, as described in greater detail below:

Components of Recommended Increases

1. Health Care Services

Acute Care (+$173 million): VA provides veterans with acute care services that include inpatient hospital care, ambulatory care, and pharmacy services. Inpatient acute care services include neurology and surgery. Ambulatory care includes care provided at VA hospital-based and community-based clinics, as well as contracted non-VA facilities. Pharmacy services include prescriptions, over-the-counter medications, and pharmacy supplies. VA estimates the demand for such services will cost $27.137 billion in FY11, necessitating an additional $173 million in needed funding over the FY10 amount.

The Undersigned Members support the President's request for an additional $173 million for acute care funding for FY11.

Rehabilitation (+$36 million): VA's rehabilitative care programs include the Blind Rehabilitation and Spinal Cord Injury programs, among others. Pursuant to Public Law 104-262, which established the requirement that VA maintain its capacity to provide for the specialized treatment and rehabilitative needs of patients, the Administration is expanding the Blind Rehabilitation program to accommodate the increased workload due to additional numbers of eye injuries among Operational Enduring Freedom and Operation Iraqi Freedom (OEF/OIF) veterans.

The Undersigned Members support the President's request for an additional $36 million in funding for FY11 for VA's rehabilitation programs.

Mental Health (+$410 million): Funding for mental health supports inpatient, residential, and outpatient mental health programs. The number of veterans diagnosed with substance abuse problems is increasing, necessitating more resources for mental health services. The proposed additional funds will support the following: integration of VA's specialized mental health services with primary care; expansion of VA's specialized substance abuse programs per Public Law110-387; expansion of VA's capacity to provide inpatient psychiatric and residential care; addressing family-related needs of returning veterans experiencing distress following reentry into civilian life; more effective treatment for post-traumatic stress disorder (PTSD); treatment for veterans with traumatic brain injury; and efforts to prevent suicide among veterans.

VA is integrating mental health and primary care in more than 100 sites to facilitate treatment and has enhanced the capacity of general mental health, substance abuse treatment, and specialized PTSD

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

has enhanced the capacity of general mental health, substance abuse treatment, and specialized PTSD programs.

The Undersigned Members support the President's request for an additional $410 million in funding over FY10 levels for mental health services, for a total funding amount of $3.717 billion for FY11.

***Prosthetics (+$148 million)*:** VA provides funds to veterans for the purchase and repair of prosthetics and sensory aids, such as artificial limbs, hearing aids, pacemakers, artificial hip and knee joints, ocular lenses, and wheelchairs. VA estimates the demand for such prosthetics and repairs to cost $1.699 billion in FY11 and requests an additional $148 million in needed funding over the FY10 amount. Funding allocations for 2010 were based primarily on FY09 expenditure data from the National Prosthetics Patient Database. As of July 2009, VA reported that 557 OEF/OIF veterans with amputations were using the VA health care system.

The Undersigned Members support the President's request for an additional $148 million in funding for FY11, for a total amount of $1.847 billion to meet the demand for prosthetics in FY11.

***Dental Care (+$47 million)*:** VA provides veterans with dental care services that include onetime Class II benefits to all newly discharged combat OEF/OIF veterans within 180 days of discharge. Class II benefits are provided to veterans with service-connected, non-compensable dental conditions or disabilities shown to have been in existence at the time of discharge or release from active duty. VA also provides dental services to veterans placed into dental Classifications III and IV, those with a condition negatively impacted by poor dentition. VA estimates the demand of such services will cost $494.936 million in FY11, necessitating an additional $47 million in funding over the FY10 funding amount.

The Undersigned Members support the President's request for an additional $47 million in funding for FY11, for a total funding amount of $494.936 million for dental care for FY11.

Long Term Care (+$819 million): VA projects the institutional care average daily census (ADC) will increase from 39,937 to 41,123 (3 percent) from 2010 to 2011, and the non-institutional care ADC will increase from 93,935 to 111,484 (19 percent) from 2010 to 2011. Of this increase in the non-institutional care ADC, VA's use of home telehealth accounts for 28.6 percent of the increase. To support this increased demand for telehealth, VA will be dedicating $163 million of the $819 million increase requested for long term care in FY11 to telehealth services, which is an increase of $41.8 million, or 34.5 percent, above the FY10 level. Telehealth and telemedicine have been shown to improve health care by increasing access, eliminating travel, reducing costs, and producing better patient outcomes, and we applaud these efforts.

The Undersigned Members support the President's request for an additional $819 million in funding for FY11, for a total funding amount of $5.388 billion for long-term care services.

Civilian Health and Medical Program of the Department of Veterans Affairs (CHAMPVA) (+$109 million): CHAMPVA provides health care benefits for dependents and survivors of veterans who are, or were at time of death, 100 percent permanently and totally disabled from a service-connected disability, or who died from a service-connected condition. CHAMPVA costs continue to grow as a result of several factors. The Veterans' Survivor Benefits Improvements Act of 2001 expanded eligibility to those 65 years of age and older who would have lost their CHAMPVA eligibility when they became eligible for Medicare. The Veterans Benefits Act of 2002 also allowed retention of CHAMPVA for surviving spouses remarrying after age 55. In addition, VA projects on increasing volume of claims, along with increasing transaction fee costs for processing electronic claims. The factors combined are projected to result in a 10.1 percent increase in costs from 2010 to 2011.

The Undersigned Members support the President's request for an additional $109 million in funding for FY11, and recommend a total funding amount of $1.114 billion for CHAMPVA services.

Readjustment Counseling (+$7.4 million): VA furnishes readjustment counseling at VA's Vet Centers to veterans who served in combat zones, including those involved in OEF/OIF. VA had 271 Vet Centers operating across the country in 2009, expanded to 299 in the current fiscal year, and intends to operate 300 in 2011. Vet Centers provide essential counseling related to combat service, bereavement counseling for families of service members who die while on active duty, as well as outreach and referral services. VA expects an increase in PTSD and other mental health conditions as veterans return from OEF/OIF after multiple tours of duty. The President requests $179 million in total funding for FY11 to meet the increasing demand for readjustment counseling.

Therefore, the Undersigned Members support an additional $7.4 million in funding for FY11, and recommend a total of $179 million in funding for readjustment counseling.

Other VA Health Care Programs (+$3 million): VA operates a number of other VA health care programs, such as the Community-Based Domiciliary Aftercare/Outreach Program; the Residential Care Home Program; and the State Home Hospital Program. The VA/DOD Health Care Sharing Incentive Fund will also require continued funding. VA projects a slight increase in demand for these services, necessitating an additional $3 million in funding for FY11 above the FY10 funding amount.

The Undersigned Members support the President's request for an additional $3 million in funding for FY11, and recommend a total funding amount of $44.895 million for other health care programs.

Combat Homelessness Pilot Program (+$26 million): VA is requesting $26 million in funding for FY11 for continued support of the Combat Homelessness Pilot Program, through which VA partners with non-profit organizations, consumer co-operatives, and other agencies to assist families of veterans that might otherwise become homeless.

The Undersigned Members support the President's request for $26 million to support VA's Combat Homelessness Pilot Program for FY11, an amount that equals the support provided to the program in FY10.

2. New Initiatives

While the Undersigned Members of the Committee support the expansion of many existing initiatives in the areas of mental health, readjustment counseling, and rehabilitative care as discussed above, we believe that more can and should be done – especially in the areas of homelessness, long-term care, and family caregiving. The Undersigned Members support the Administration's proposed "New Initiatives" discussed below.

***Zero Homelessness (+286.85 million)*:** In an effort to end homelessness among veterans, VA proposes to enhance its current efforts to house homeless veterans by expanding the capacity of the

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

Homeless Veterans (HCHV) Contract Housing, Homeless Providers Grant and Per Diem, and Domiciliary Care for Homeless Veterans (DCHV) programs.

We support the President's request for $286.850 million for 2011 to expand its efforts to end homelessness through the Zero Homelessness Initiative.

Telehealth, Non-Institutional Long-Term Care (+$40 million): Telehealth technology expands access to care for veterans in rural and highly-rural areas. A recent study found patients enrolled in home telehealth programs experienced a 25 percent reduction in the average number of days hospitalized and a 19 percent reduction in hospitalizations. In addition to providing better outcomes, these methods also decrease costs of health care.

The Undersigned Members support the President's request for an additional $40 million to expand its Telehealth Initiative in 2011 for its non-institutional long-term care patients, with the goal of reducing overall costs by providing more accessible high quality health care to veterans residing in rural areas.

Family Caregivers (+$57 million): The Committee is in the final stages of bringing forward compromise legislation (S. 1963) to establish a caregiver program within VA. This program would authorize VA to provide training and supportive services to family members and other loved ones who wish to care for a disabled veteran in the home and to allow veterans to receive the most appropriate level of care. The newly authorized supportive services would include training and certification, a living stipend, and health care – including mental health counseling, transportation benefits, and respite. The Committee believes the score assigned to this legislation by the Congressional Budget Office (CBO) is incorrect due to several errors in interpretation, including:

- Grossly overestimating the population of veterans who will be eligible for caregiver services. A more correct estimate[1] provided by Center for Naval Analyses (CNA) is 720 veterans per year as opposed to 48,850 as estimated by CBO. CBO and VA assume that the proposed new program will apply to all injured veterans regardless of how seriously they are injured or when they were injured. The legislation clearly states it applies only to "seriously injured or very seriously injured" (SI/VSI) veterans who were injured or aggravated an injury in the line of duty on or after September 11, 2001.
- Overestimating the length of time a veteran will require caregiver services. CBO and VA assume it will be indefinite. CNA's study finds the average requirement is for 18 months. Only 43 percent of veterans require caregiver services in the long-term.
- CBO also assumes that all enrolled veterans will need a full-time caregiver, whereas CNA has found that, on average, veterans need only 21 hours of services per week.
- Assuming that 100 percent of injured veterans will utilize the program. According to written testimony from Gerald Cross, M.D., VA's former Acting Under Secretary for Health, to date, only 233 family members have been referred for caregiver training and certification.

Based on these points, the Undersigned Members strongly recommend funding the new caregiver program using the Committee's estimate of $57 million in FY11.

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1 - Christensen, Eric, Candace Hill, Pat Netzer, DeAnn Farr, Elizabeth Schaefer, Joyce McMahon. (April 2009). *Economic Impact on Caregivers of the Seriously Wounded, Ill, and Injured.* CNA Publication (CRM D0019966.A2).

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

Based on these points, the Undersigned Members strongly recommend funding the new caregiver program using the Committee's estimate of $57 million in FY11.

3. Major and Minor Construction (+192 million):

The Administration requested $1.151 billion for Major Construction in FY11, which is a decrease of almost $43 million from the FY10 funding level. Although this request supports 3 medical facility projects already underway and begins 2 new medical facility projects, there remains a huge backlog of partially-funded construction projects. The Major Construction request also fully funds the 2011 resources required to support gravestone expansion at three National Cemeteries. This expansion will provide a burial option to an additional 500,000 deceased veterans and eligible family members, address concerns in urban areas, and encourage new burial practices such as "green" or eco-friendly burial methods. The new policies will increase the current strategic target for the percent of the veteran population served by a national or state veterans cemetery within 75 miles of their home to 94 percent.

VA has included a new initiative in the Major Construction appropriation. Funding in the amount of $23.964 million is requested to support resident engineers on major construction projects of the Veterans Health Administration and National Cemetery Administration. This funding will support approximately 140 engineers at nearly 50 sites across the country. Funding will cover all costs for these employees, including salary and benefits, training, travel, permanent change of station funds, etc. This proposal would allow for additional critical staff in the areas of planning, acquisition, as well as architectural and engineering support to help VA better manage its physical infrastructure.

For Minor Construction, the Administration's budget request of $467.700 million would reduce the account from its FY10 level by over $235 million. However, the costs of repairing all of the facilities in need of repair – via minor construction and nonrecurring maintenance funds – would total over $9 billion. Funding for minor construction must, at the very least, stay at a consistent level from the previous fiscal year.

Therefore, the Undersigned Members support the President's request for $1.151 billion for Major Construction for FY11, a decrease of nearly $43 million from FY10 levels. We also recommend a total of $467.7 million for Minor Construction in FY11, which is an additional $235 million over the level requested by the Administration, and virtually the same amount as appropriated in FY10.

4. Legislative Proposals (+$22.777 million):

The President requests an additional $58.201 million in funding for FY11 to support a variety of legislative proposals. Such proposals, which the Undersigned Members support, include $18.9 million for the Homeless Providers Grant and Per Diem Program to encourage eligible entities to establish community-based programs that furnish outreach, supportive services, and transitional housing for female homeless veterans, homeless veterans with chronic mental illness, and veterans who are frail and/or terminally ill.

In addition, reinstatement of the Health Professional Scholarship Program and providing medical care for newborns are included in the total requested amount of $58.201 million. As the Committee is on the verge of passing these or related provisions, it is critical to allocate sufficient funding for these initiatives.

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

The President also proposes to provide caregiver support in the form of CHAMPVA coverage, travel expenses, education, and training. These caregiver provisions are included in the pending S. 1963 and are accounted for in the Family Caregivers section above. The total amount of the VA requested provisions is $35.424 million, which has been deducted here as those provisions are funded in the Family Caregivers total above.

Therefore, the Undersigned Members recommend an additional $22.777 million in funding for FY11 to support these legislative proposals.

5. Policy Highlights (The proposed increases for the following veteran groups are incorporated within the above requested amounts.)

Women Veterans: Women veterans are the fastest growing segment of veterans. The percentage of women veterans is nearing eight percent and expected to rise substantially over the next two decades. While VA is an institution originally designed and focused toward serving male veterans, there is a crucial need to adapt to this change in the veteran population.

We support the President's request for an additional $19 million in funding for women veterans. An increase in the FY11 budget toward women veteran specific programs is a positive sign that VA is making an effort to ramp up services for the rapidly growing number of women veterans.

OEF/OIF Veterans: VA anticipates treating 439,000 OEF/OIF veterans in the next fiscal year, an increase of over 56,000 (or 14.8 percent) above the 2010 level. In 2011, OEF/OIF patients represent 7.2 percent of the overall VA patients served. Through October 2009, VA reported that, of the 480,324 separated OEF/OIF veterans who have sought VA health care since FY 2002, a total of 227,205 unique patients had a diagnosis of a possible mental health disorder; of this total, 120,480 had a probable diagnosis of PTSD; 83,671 were diagnosed with depression; and 22,261 received a diagnosis of alcohol dependence syndrome. These statistics highlight VA's efforts to proactively identify mental health conditions among returning OEF/OIF veterans, for the purpose of intervening early to prevent chronic disorders and their debilitating impact on the quality of life of veterans. Additionally, due to improved battlefield medicine, OEF/OIF veterans are surviving more serious injuries, but are often left with amputations and traumatic brain disorder. These conditions result in profound health care needs.

We support the President's request for an additional $597 million in funding towards OEF/OIF care for veterans. As more OEF/OIF veterans return from multiple tours of duty, the FY11 budget increase will be critical to meeting the increased demand for rehabilitative care, mental health care, and readjustment counseling.

Priority Group 8 Veterans: VA's goal is to increase the enrollment of Priority 8 veterans – namely, those with incomes above a threshold based on family size who either have no service-connected disability or a zero percent disability rating – by 500,000 by FY13. In 2009, VA opened enrollment to Priority 8 veterans whose incomes exceeded last year's geographic and VA means-test thresholds by no more than 10 percent. VA estimates that 193,000 more veterans will enroll for medical care by the end of 2010 as a result of this policy change. In 2011, VA plans to further expand health care eligibility for Priority 8 veterans to those whose incomes exceed the geographic and VA means-test thresholds by no more than 15 percent compared to levels in effect prior to expanding enrollment in 2009. VA anticipates that this additional expansion of eligibility for medical care will result in 99,000 new enrollees in 2011, bringing the total number of new enrollees from 2009 to the end of 2011 to 292,000.

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

The Undersigned Members support the President's budget request to be funded in full to ensure adequate funding for the enrollment of Priority 8 veterans.

B. Medical Support and Compliance (+$377 million) and Medical Facilities (+$881 million)

The Medical Support and Compliance appropriation provides funds for the expenses of management, security, and administration of the VA health care system. Such costs include operation of VA medical centers, VHA headquarters, Veterans Integrated Services Network (VISN) offices, Facility Director offices, Chief of Staff operations, quality of care oversight, security and legal services, billing and coding activities, procurement, financial management, and human resource management.

The President's FY11 and FY12 estimates for the Medical Support and Compliance appropriation are based on an actuarial analysis founded on current and projected veteran population statistics, enrollment projections of demand, and case mix changes associated with current veteran patients.

We support the President's recommendation of $377 million in funding over FY10 levels for Medical Support and Compliance and $881 million in funding over FY10 levels for Medical Facilities. We expect these funding levels to be adequate to maintain current levels of service.

C. Medical and Prosthetic Research (+$34.5 million)

VA medical and prosthetic research is key to advancing health care in the nation, not only for veterans but for the population at large. As the nation's largest health care network, VA has unparalleled resources with which to conduct research, including its cadre of dedicated physician researchers. It is for this reason that the Undersigned Members are concerned by the Administration's request for only an additional $9 million over the FY10 funding level, with no planned increase in FTE. This limited request is insufficient when compared to the $70 million increase requested in FY10 over the FY09 amount. Additionally, the Independent Budget projects a biomedical research and development inflation rate of 3.3 percent in FY11 however VA's request is only 1.5 percent greater. This amount would cover less than half of the increase in expenses due to inflation, which would have an adverse impact on quality.

The Undersigned Members recommend $34.5 million over the FY10 level, for a total of $624.5 million for FY11.

D. Information Technology (+$30 million)

The FY11 President's Budget does not provide for any increase in the area of Information Technology (IT). However, there are several new and current initiatives VA intends to accomplish that will require IT support. While it is commendable that VA is carefully reviewing and prioritizing all IT projects, we are concerned that flat-lining this area would be problematic in accomplishing new initiatives or other important but lower-profile projects, were it not for the large increase in the FY10 budget and carry over from FY09. VA believes flat-lining the budget will not have a negative impact on both VBA and VHA IT initiatives and claims that it can carry out operational support, security requirements, and develop new projects within the FY10 budget level requested.

The Undersigned Members, therefore, support the President's IT budget (as proposed) and are hopeful that the days of investing significant funds into mismanaged programs are in the past.

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

Health-Related Funding by Medical Care Account

Needed Discretionary Revenue for FY11 (dollars in thousands)	Total FY11	Increase above President's FY10
Medical Services:		
Health Care Services:		
Acute Care	$27,136,581	$173,000
Rehabilitative Care	$535,846	$36,000
Mental Health	$3,717,136	$410,000
Prosthetics	$1,698,613	$148,000
Dental Care	$494,936	$47,000
Long term Care	$5,387,995	$819,000
CHAMPVA	$1,113,947	$109,000
Readjustment Counseling	$179,000	$7,400
Other VA Health Care Programs	$44,895	$3,000
Combat Homelessness Pilot Program	$26,000	$0
Initiatives:		
Zero Homelessness	$286,850	$286,850
Telehealth	$40,000	$40,000
Family Caregivers	$57,000	$57,000[2]
Legislative Proposals	$22,777	$22,777
Total Medical Services	**$40,741,576[3]**	**$2,159,027**
Medical Care Appropriations:		
(1) Medical Services	$37,136,000	$2,443,500
(2) Medical Support and Compliance	$5,307,000	$377,000
(3) Medical Facilities	$5,740,000	$881,000
Total Recommended for Medical Care Appropriations (without Collections & Reimbursements)	**$48,183,000**	**$3,701,500**
Collections	$3,355,000	$329,000
Total for Medical Care Appropriations with Collections (without Reimbursements)	**$51,538,000**	**$4,030,500**
Reimbursements	$327,000	$14,800
Total Obligations for Medical Care Appropriations with Collections and Reimbursements	**$51,865,000**	**$4,045,300**
Total for Medical and Prosthetics Research	**$624,500**	**$34,500[4]**
Total for Information Technology	**$30,000**	**$30,000[5]**

E. Compensation, Pension, and Burial Staffing and Training

VA must take aggressive action to improve the claims adjudication process, with a focus on training and quality. The Undersigned Members believe the Administration's request for compensation,

2 - Funding is $57 million above President's requested level
3 - Includes appropriations, collections, and reimbursements for Medical Services
4 - Funding is $25.5 million above President's requested level
5 - Funding is $30 million above President's requested level

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

pension, and burial staffing in FY11 is necessary to mitigate the impact of the recent decision to extend presumptive service-connection for certain conditions associated with exposure to Agent Orange, an increase in claims receipts, and a growing complexity in claims adjudication.

Staffing: For FY11, the President requests 16,968 FTE for compensation, pension, and burial staffing. This is a 30 percent increase over the FY10 level. Of this amount, 14,138 FTE would be dedicated to direct compensation – an increase of 1,820 FTE over the FY10 level.

The American Recovery and Reinvestment Act of 2009 provided $150 million for the hiring and training of temporary claims processors through 2010. With this funding, VA hired 2,300 compensation, pension, and education claims processors – 1,870 of whom were dedicated solely to compensation and pension claims processing. In FY11, VA anticipates retaining these temporary hires and adding 2,050 new positions.

Workload: The disability claims workload from OEF/OIF veterans, as well as from veterans of earlier periods, has continuously increased since 2000. Annual claims grew from 674,219 in 2001 to 1,013,712 in 2009. Claims received by VA are increasingly complex, and require more time to develop and rate. In 2009, original claims for compensation with eight or more claimed issues increased from 22,776 in 2001 to 67,175 in 2009 – a 300 percent increase.

Veterans from the Vietnam conflict and the first Gulf War are aging and filing reopened claims in greater numbers. In 2009, reopened claims comprised slightly more than 56 percent of disability claims. Many veterans receiving compensation have chronic, progressive diseases such as diabetes, mental illness, and musculoskeletal or cardiovascular illnesses. It is reasonable to project that as these veterans continue to age, their disabilities will worsen and more claims will be reopened as a result.

Timeliness: VA estimates that even with its expanded C&P direct labor FTE that it will take an average of 190 days to complete a claim – 29 days longer than the current average. VA's strategic target is to complete a claim is 125 days. The Undersigned Members believe that VA must be able to absorb new court decisions, changes in legislation and regulation, the impact of other unforeseen events, and, above all, avoid becoming paralyzed to the detriment of the veterans who rely on it. The Undersigned Members additionally believe that this cannot be accomplished through staffing alone and will monitor VA's other initiatives, including the Veterans Benefits Management System, which seeks a favorable impact on the system.

The Undersigned Members will continue to monitor VBA's staffing requirements and output in FY11. We also will look to the Administration to show how it is holding managers and employees accountable for performance with the substantial additional resources provided.

Training: The President's FY11 budget submission proposes a dramatic increase in staffing for VBA. 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

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

computer-based learning tools and satellite broadcasts that bring the Academy's expertise directly to staff desktops.

The Undersigned Members are disappointed that the President's Budget request did not provide many particulars on the training of new FTE to enable the Committee to better understand the effect of the drastic hiring initiatives. The Undersigned Members therefore recommend that the Budget Committee require that the VA Office of Inspector General conduct an audit of VBA's hiring and training initiatives. In particular, the Undersigned Members recommend that the IG examine VBA's process for hiring, training and supervising new employees, and the Administration's progress in integrating new employees into its workforce. The Undersigned Members believe that training is an essential component of any strategy to improve the timeliness and accuracy of claims processing, and hopes that the quality of claims that are adjudicated does not suffer as VA undertakes this effort.

F. 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 FY11 request for BVA is $75.2 million, which would support 557 FTE, an increase of 5 FTE and $1.925 million over the estimate for the current fiscal year. The Undersigned Members note that BVA was able to increase staffing during FY10 through use of carryover funds.

The Undersigned Members agree with the President's assessment and support the proposed increase to reduce the backlog of claims at BVA, decrease the average days pending, and further improve quality.

G. Education

The VBA's Education Service provides veterans, servicemembers, Reservists, and certain family members with educational resources. The implementation of the Post-9/11 GI Bill has presented a challenge to VA in terms of making timely and accurate payments.

The President's FY11 budget request calls for a reduction in FTE from the FY10 level – from 1,889 to 1,521. At the same time, an increase of 4.9 percent is projected in workload. The Undersigned Members are aware of the improvements in processing timeliness and the planned implementation of an automated system for claims. At this time, we have no justification for recommending any increase over the President's recommendation. However, the Undersigned Members intend to monitor the situation closely and will recommend additional resources if necessary.

H. Vocational Rehabilitation and Employment (+$20.5 million)

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 FY11 budget request calls for a decrease of nine in the number of direct FTE for

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

VR&E. The VR&E workload in 2009 continued to grow and the program experienced a 13.3 percent increase in the number of applications received. This increase is expected to continue as VR&E increases outreach and partnership activities with such programs as the Coming Home to Work program, the Yellow Ribbon program, the Post Deployment Health Re-Assessment program and the VetSuccess on Campus.

The Undersigned Members believe that in light of the growth in the program and the anticipated demands generated by the new and expanded initiatives – including an expansion in the number of veterans enrolled in the program of Independent Living Services – that an increase of 200 FTE is supported. This would mean an increase of $20.5 million above the President's recommendation.

I. Department of Labor, Veterans' Employment and Training Service

The Veterans' Employment and Training Service (VETS) of the Department of Labor provides veterans and transitioning servicemembers with resources and services designed to maximize employment opportunities, protect employment and re-employment rights, and achieve positive employment outcomes.

The President's FY11 Budget proposes an increase of $1 million in the amount designated for the Transition Assistance Program (TAP). The resources available for TAP should permit VETS to deliver more than 6,100 Employment Workshops throughout the world. In addition, the President's Budget includes an additional $5 million for the Homeless Veterans' Reintegration Program (HVRP), which is focused on placing homeless veterans into jobs. This increase for HVRP will allow VETS to provide services to more than 25,000 homeless veterans – including homeless women veterans and veterans with dependent children who are homeless. This supports the President's initiative to end homelessness among veterans.

The Undersigned Members are concerned that without increased resources for additional staffing for both the State Grants program and federal administration higher costs could adversely impact the ability of VETS to deliver services effectively. However, the Committee believes the program should be able to realize efficiencies to absorb these higher costs.

J. Court of Appeals for Veterans Claims

The United States Court of Appeals for Veterans Claims (CAVC), a legal body independent of VA, is vested with the authority to review decisions of the Board of Veterans' Appeals (BVA) regarding a veteran's entitlements 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 roughly $90 million for FY11 is approximately $63 million more than the FY10 level—$62 million of this proposed increase is attributable to the construction of a new courthouse. The construction estimate is consistent with the General Services Administration's estimate of the costs of land acquisition and construction. The remaining increase would provide an additional $695,000 for the Pro Bono program and $1.17 million for personnel costs. Part of this personnel increase would provide for the hiring of 3 additional FTE: an Appellate Commissioner, staff attorney, and secretarial support for judges who have been recalled. The budget request also takes into consideration the possibility of new judges joining the Court in FY11.

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

During FY09, the Court received more case filings than at any other time in the Court's 20-year-plus history. This amounts to a near doubling of the Court's filings in the past decade. The FY09 case load of 4,725 is the largest in the Court's history. There is no statistical indication that this trend will abate.

To address this increased workload, the Court proposes to hire three new staff: an Appellate Commissioner, a staff attorney, and a secretary to support the recalled judges. The Appellate Commissioner would review and decide procedural motions received by the Court, which average over 1,500 per month. By using an Appellate Commissioner, as other federal courts have, the Court can free up judges to focus on the merits of the cases before them. The staff attorney and recall judge secretary positions reflect the increased workload within the Court's mediation program and increased use of recall judges.

The Undersigned Members support the Court's pursuit of appropriate space and new FTE and therefore recommend that the Court's requested funding be provided.

The Veterans Consortium Pro Bono Program requests approximately $2.5 million for FY11, an increase of $695,000 over the level authorized for FY10. The bulk of this increase, $477,000, would be dedicated to supporting the Pro Bono Program as a stand-alone entity no longer relying upon veterans service organizations for administrative and other assistance. The Pro Bono Program anticipates that this will require additional staff, including an executive director and additional space to house personnel.

The need for the Pro Bono Program has increased in the past few years, as more veterans seek judicial review. Demand for free legal assistance through the program has increased steadily; the Pro Bono Program received 793 requests for assistance in 2009, compared to 313 requests in 2003. Of the 849 cases evaluated by the Pro Bono Program in 2009 (an increase over the 737 cases in 2007) 265 cases were accepted into the Pro Bono Program, compared with 209 cases in 2008, the remainder being rejected for a variety of reasons.

The Undersigned Members agree with the Pro Bono Program's assessment that the demand for free legal assistance will increase in 2011 and beyond, and that veterans would benefit from the program being able to operate as a self-sufficient entity.

III. MANDATORY ACCOUNT SPENDING

The Undersigned Members support the President's FY11 budget request that would provide $64.7 for mandatory benefits, including compensation for new Agent Orange presumptive conditions (Ischemic Heart Disease, Parkinson's, Hairy Cell and other chronic B-cell Leukemia). Of that amount, $13.4 billion is in the form of a supplemental request to the FY10 budget to pay for the retroactive portion of the presumptive benefit as required under the *Nehmer v. VA* decision. As a result of *Nehmer,* VA is required to go through its records and identify all Vietnam veterans and survivors of Vietnam veterans who filed a compensation claim back to 1985 for one of the three new presumptive diseases. VA will then re-decide each of these prior claims under its new rules. If the claim is granted, in most cases, VA will pay benefits retroactive to the date VA first received the claim for disability compensation or dependency and indemnity compensation (DIC) for the condition.

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

A. Specially Adapted Housing Grants

The Committee has identified inadequacies in VA's home adaptation grant programs –namely, Specially Adapted Housing (SAH), Special Home Adaptation (SHA), and Temporary Residence Adaptation (TRA). The SAH/SHA grants allow severely disabled service-connected veterans and servicemembers to adapt their home or build a new home to accommodate their particular disability. Similarly, VA may provide a TRA grant to eligible veterans and servicemembers who temporarily reside in a home owned by a family member and need modifications to accommodate their disability. These grants maximize the ability of disabled veterans and servicemembers to live independently.

The Committee intends to conduct oversight of these programs. The Committee also anticipates legislation to adjust the amounts of each of these grants under these programs, and if called for, to make the TRA grant a stand-alone program. However, we do not currently have specific estimates for the increased cost of these programs and do not anticipate providing any offset to cover them. The Government Accountability Office is currently conducting a study of VA's implementation of TRA grants that may provide a better understanding of the funding needed for this program. An interim report issued in June 2009 showed that since TRA was established in 2006, only nine veterans have taken advantage of this benefit. The fact that the TRA grant amount counts against the SAH/SHA grants was one of the reasons for the low usage.

The Undersigned Members recommend that the Budget Resolution include adequate funding for a reasonable increase to the Specially Adapted Housing Grants in FY11.

B. Cost-of-Living Adjustment

Under current law, the COLA applied to veterans' disability compensation and survivors' DIC is rounded down to the next lowest whole dollar. VA compensation is sometimes the sole source of income for a veteran and his or her family. Over time, the effect of a COLA round-down can be substantial. We owe it to our nation's veterans to provide them with appropriate compensation, the value of which should not be reduced by inflation. Although the legal authority for an automatic COLA round-down is set to expire in 2013, we recommend that funding be provided to end the COLA round-down ahead of schedule.

The Undersigned Members recommend that the Budget Resolution include sufficient funding to not impose a COLA round-down.

IV. CLOSING

We thank the Budget Committee for its attention to the Undersigned Members' views and estimates of the Administration's Fiscal Year 2011 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.

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
March 5, 2010

Sincerely,

Daniel K. Akaka
Chairman

John D. Rockefeller IV

Patty Murray

Bernard Sanders

Sherrod Brown

Jon Tester

Mark Begich

Roland W. Burris

Arlen Specter

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

March 5, 2010

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 2011 (hereinafter, "FY11") 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

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. The Committee held a hearing on VA's FY11 budget submission on February 26, 2010. I subsequently submitted over 300 post-hearing questions for the record requesting more detailed information about many components of the request. In the absence of responses to those questions at present, I will offer my general observations and highlight areas I believe merit focus by the Budget Committee.

A significant investment has been made over the past decade in VA programs and services. Funding for medical care has increased from $21 billion in fiscal year 2001 to nearly $48 billion in the current fiscal year. General Operating Expenses, the account that funds VA's Veterans Benefits Administration, has increased from $865 million in fiscal year 2001 to nearly $2.1 billion. For FY11, VA requests a total budget of $125 billion, highlighted by a discretionary increase of roughly eight percent. Although our nation faces serious fiscal challenges, it is clear that Congress and the President have remained, and will continue to remain, committed to providing the resources our veterans need.

We must also, however, remain good stewards of taxpayer dollars. That means we must ensure that every dollar provided to VA is being used effectively to improve the health

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510

March 5, 2010

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We must also, however, remain good stewards of taxpayer dollars. That means we must ensure that every dollar provided to VA is being used effectively to improve the health and lives of our veterans. Furthermore, in an era of deficits and debt of staggering proportions, we must critically analyze spending on items that do not directly help veterans or are simply a low priority at the present time. I believe all Americans, and especially our nation's veterans, expect this of us. As was said over a decade ago in a letter to the Budget Committee signed by every Republican and Democrat on the Committee:

> We...are mindful of the fact that uncontrolled Federal spending threatens the long-term health of the Nation's economy and, in turn, could adversely affect the provision of veterans' benefits. Thus, we recognize that those who have worn the uniform in defense of the Nation seek, as we do, to protect the health of the Nation's economy.

There are several areas in particular that, I suggest, are ripe for this type of scrutiny.

General Administration

Although every agency requires support offices to handle day-to-day operational needs, program oversight, and liaison activities, those needs must be balanced against other priorities. I am very concerned that a balance has not been struck with respect to the Administration's request for General Administration. Below is a table showing both the 1-year and 2-year increases several of these offices will have received if the Administration's FY11 request is adopted.

	FY 2009	FY 2010	FY 2011 (proposed)	1-year increase	2-year increase
Office of the Secretary	$7.146 M	$9.270 M	$10.808 M	30%	51%
Office of Management	$37.5 M	$44 M	$48 M	17%	28%
Office of Human Resources & Administration	$61.9 M	$68.6 M	$76.2 M	11%	23%
Office of Congressional & Leg. Affairs	$4.4 M	$6.1 M	$7.2 M	39%	64%

I do not intend to suggest that these offices are without value or that they should be flat-lined (as the Administration has proposed for the Office of the Inspector General). However, even halving what is proposed for some of these offices would translate into additional resources being available to support family caregivers of seriously injured veterans, to provide health care for additional veterans exposed to environmental contaminants, or to continue the march to end homelessness among veterans, all legislative items the Committee has moved forward with this Congress.

Medical Care

As I previously mentioned, significant resources have been invested in the VA health care system, resulting in a more than doubling of VA's medical budget in the last ten years. The primary driver of this growth is the number of users of the system. In 2001, VA treated 4.2 million unique patients, which included 730,000 patients treated at inpatient facilities and nearly 44 million outpatient visits. In 2010, VA expects to treat nearly 6 million unique patients, including over 900,000 patients treated at inpatient facilities and almost 79 million outpatient visits. A snapshot of increases in specific programs over the years provides a glimpse of where key investments have been made.

	FY 2001	FY 2010	FY 2011 (proposed)
Mental Health	$2 B	$4.8 B	$5.2 B
Homeless	$1.2 B	$3.5 B	$4.2 B
Long Term Care	$3.1 B	$6 B	$6.8 B
Pharmacy	$2.5 B	$4.3 B	$4.8 B
CHAMPVA	$160 M	$1.1 B	$1.2 B
Prosthetics	$574 M	$1.85 B	$2 B

As you can see, spending on mental health care and homeless veterans, in particular, has increased at a significant rate. For mental health care, the spending reflects our firm commitment to provide treatment to servicemembers who return home from battle troubled in mind, but who desire to lead full, healthy, and productive lives. For homeless veterans, the spending reflects our belief that no one who has worn the Nation's uniform should go to sleep without a roof over their head. What must come now, and every year, is an evaluation of the results obtained with the resources provided.

Key questions I have asked of the Administration include: Are veterans with mental illness getting better as a result of obtaining treatment? What are the metrics in place for evaluating the effectiveness of VA's mental health care treatment programs? Are we seeing a reduction in homelessness among veterans that is sustainable? Can more be done to prevent veterans from falling into homelessness? I look forward to getting the answers. An outcome-based approach to funding decisions, especially when it comes to the health and welfare of veterans, is essential.

Major Construction

With the large increase in the number of users of VA's health services comes the obligation to ensure that VA has the physical capacity to treat veterans in state-of-the art medical facilities. Because most of VA's 153 medical centers were built in the post World War I and World War II eras, the costs associated with meeting that expectation are immense. When looking at VA's capital infrastructure needs, and analyzing VA's historical appropriation for major construction, I am concerned about the plan going forward.

The Administration has requested $864 million for major medical construction projects in FY11, similar to what was provided in fiscal year 2010. Even assuming Congress appropriates what was requested, there will remain over $4 billion in unfunded liability on projects that have already received some amount of funding. Looking out five years, there is over $7 billion worth of projects in VA's five-year capital plan, and more projects are identified every year. What this means is that, at the present rate of funding, and operating under the unrealistic assumption that there will be no cost overruns and no new projects added to the five-year capital plan, it will take nearly 14 years to fund all identified major medical construction projects, with completion of all funded projects further into the future. In light of these facts, I have requested of the Administration a detailed accounting of how these needs will be met in a timely manner.

I would also note that VA is trying a new approach to deliver 21st century health care to veterans, by moving forward with the establishment of Health Care Centers (hereinafter, "HCCs") in several areas in the country. HCCs are large, modern outpatient clinics capable of handling 95 percent of veterans' medical needs in one setting. Going forward, I will closely track the effectiveness of the HCC model within VA.

Claims Processing

For many years, the VA claims processing system has been plagued by large numbers of pending claims, lengthy processing times, and inaccurate decisions. The primary response of Congress has been to provide additional funding for claims-processing staff, which has more than doubled in the past ten years, and VA is requesting another 14% increase in staff during FY11. Unfortunately, resources for more staff have not been the answer to the problems. With these staffing increases, VA's per-employee productivity has declined significantly, quality has trended down, and pending inventory levels have trended up. Even with further staffing increases, VA is expecting the backlog to nearly double by the end of FY11 and the delays to increase by almost 30 days. I think this shows that staffing alone is not a solution to these chronic problems. It is time to try new approaches, such as increasing productivity through the use of modern technology and enacting common-sense reforms to streamline this cumbersome, outdated system.

Vocational Rehabilitation & Employment

As we continue to fight wars in Iraq and Afghanistan, providing necessary and appropriate services for veterans disabled in the line of duty is crucial. The Vocational Rehabilitation & Employment (hereinafter, "VR&E") program at VA aims to provide comprehensive vocational rehabilitation services for eligible service-connected disabled veterans with the goal of helping them attain gainful employment. With unemployment so high, it is extremely important that veterans with serious injuries are provided with services that will help them be competitive in today's tight labor market.

Particularly now, with the nation's unemployment rate potentially leading more veterans with disabilities to seek VR&E services, it is important that we have the appropriate staff and resources in place to provide these veterans, especially those with serious disabling conditions, with timely and quality rehabilitation services. Congress must actively monitor the performance of the VR&E program in the coming months to help ensure it is meeting this purpose with the resources it is provided.

Office of the Inspector General

The Office of the Inspector General (hereinafter, "OIG") has conducted numerous investigations into programs and services that have provided VA with essential recommendations to improve its health and benefits operations. Its efforts to ensure consistency in VA's reprocessing of endoscopic equipment, its efforts to monitor VA's implementation of privileging and credentialing of medical personnel, and its numerous inquiries into problems with certain VA information technology initiatives leaves no doubt of its worth to veterans and taxpayers. Indeed, with proposed VA funding of $125 billion for FY11, the OIG's oversight is needed now more than ever. That is why I am perplexed at the Administration's proposal to flatline OIG funding. And against the backdrop of double-digit increases proposed for support offices funded under General Administration (discussed above), I believe a realignment of priorities is in order.

UNITED STATES COURT OF APPEALS FOR VETERANS CLAIMS

More than 20 years ago, the United States Court of Appeals for Veterans Claims (hereinafter, "Court") was created to provide judicial review of final decisions by the Board of Veterans' Appeals, an entity within VA. All individuals who come before the Court, generally veterans and their family members, should rightfully expect prompt, just decisions on their cases. However, meeting that expectation has been particularly challenging in recent years, as the Court has experienced significant increases in its incoming caseload and record levels of pending appeals. In fact, the Court received over 4,700 new cases during fiscal year 2009, which is more than double the amount received just five years earlier.

The Court has already taken a number of measures to deal with this staggering caseload, such as instituting a mediation program, recalling retired judges, and implementing an electronic case-filing system. For its part, Congress -- in addition to providing increased funding -- has taken steps to help ensure that the Court has sufficient judicial resources. For example, Congress passed legislation removing the limit on the number of days that a recalled judge may serve each year and creating an incentive to serve more frequently in recall status. Perhaps more importantly, Congress passed legislation authorizing the temporary addition of two new judges to the Court beginning on December 31, 2009.

As we move forward, it is essential that we collectively continue efforts to ensure that the Court will be able to provide timely decisions to veterans, their families, and their survivors. That means, for example, that Congress must provide adequate funding and should continue exploring options for streamlining and improving the appeals process. It includes the Court continuing to rely on the experience and expertise of retired recall-eligible judges, who have proven to be a very valuable resource in helping the Court deal with its caseload since 2006. It also includes the President nominating qualified individuals to fill the judicial vacancies without delay. Working together, we can ensure that veterans, their families, and their survivors will not have to wait long to receive justice from the Court.

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, over the years, concerns have been raised about whether these programs, as currently structured, are effective in helping veterans find meaningful employment. Particularly in the face of high unemployment rates nationwide, it is important to assess whether steps can be taken 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,

Richard Burr
Ranking Member

10. ADDITIONAL AND MINORITY VIEWS

Mr. Chairman,

I thank you and your staff for your hard work on this year's budget resolution. It is an arduous task, and a real accomplishment for the Committee.

We are, where we are, because the previous Administration squandered budget surpluses on tax cuts we could not afford, and on a war in Iraq we ought not have fought. It advocated for new entitlement programs without a means to pay for them. The OMB Director testified earlier this year that more than half of the ten-year deficits can be linked to the previous Administration's failure to pay for the 2001/2003 tax cuts and the prescription drug bill. Now, we must find a way forward to restore fiscal balance.

We must address all sides of the budget – revenues, discretionary and mandatory spending – if we are to achieve balance. Freezing domestic discretionary spending, while further reducing taxes, may make for good politics in the short-term, but it ultimately worsens our budgetary position, and can leave domestic agencies unable to fulfill their missions. We learned from the previous Administration that failing to invest in America, in order to pay for tax cuts, has consequences – sometimes deadly consequences.

Both the President's budget, and the Committee's budget, include full funding for military and related operations in Iraq and Afghanistan. I commend both for budgeting for these wars, but I believe we should be paying for them as well. The Congress has appropriated $1.1 trillion for military operations in Iraq and Afghanistan. For the foreseeable future, the costs are expected to exceed $100 billion annually. It is long past time that we find the revenues necessary to pay for these wars.

I encourage the Senate to use the reconciliation process to find savings – real savings – in the budget. That's what the expedited procedures are there for. Reconciliation instructions to achieve $2 billion in savings over five years are inadequate.

I hope to work with colleagues to ensure that the Congress produces a budget that reflects positively on this institution, and the priorities of the American people.

Mark R Warner

Senator Mark R. Warner
Senate Committee on the Budget
Views for the Committee Print
April 26, 2010

I supported the Fiscal Year 2011 Budget Resolution that was passed by the Senate Budget Committee because I believe it contains critical investments to continue strengthening our economy. The budget resolution also sets caps on annual appropriations for the next three years, including a freeze on non-security funding. These limits on spending, enforced through a super majority waiver requirement, will force Congress to focus on programs that meet high-priority needs. I strongly support imposing discipline on the appropriations process in order to control spending and make sure that we do not waste money on inefficient or unnecessary programs.

During the markup of the resolution, I voted against an amendment offered by Senator Jeff Sessions that would have required support of two-thirds of all Senators to make any adjustment in the levels of spending currently proposed for the next five years. I voted against Senator Session's amendment because its adoption would have threatened agreement on the budget resolution for fiscal year 2011 at the committee level. However, I would support Senator Sessions' amendment should he decide to offer it on the floor of the Senate.

Although I support discretionary spending caps, when looking at the overall budget resolution, they are only one way to control spending. I sponsored three amendments to the budget resolution that focused on putting our nation back on a solid and responsible fiscal track. The first amendment created a deficit-reduction reserve fund for legislation that ends funding for discretionary programs recommended for termination in fiscal year 2011 and the prior two fiscal years. By covering three years, the point of order would focus on programs that have been singled out for termination by both the Obama and Bush administrations. The other two amendments would require performance and accountability measurements to more closely monitor spending through the American Recovery and Reinvestment Act and track progress of the Patient Protection and Affordable Care Act. I was pleased that these amendments had bipartisan support and were adopted by the Committee.

I hope that Democrats and Republicans come together to pass the resolution and continue to make the necessary investments in our country.

Russ Feingold

Views of Senator Feingold

It was with some regret that I opposed the budget resolution as it came out of the Budget Committee, but it simply does not go far enough to put our fiscal house back in order. Chairman Conrad deserves enormous credit for producing a budget resolution that goes further than the President in reducing budget deficits, and the President certainly deserves credit for doing far better than the previous Administration in this regard. But we need to do more.

I was pleased that the Committee adopted my amendment to require that we pay for the future costs of the Iraq and Afghanistan Wars. To date, we have spent about $1 trillion on those wars, and every single penny of those costs has been added to our budget deficits. We have paid for none of it.

And we fully expect to be spending hundreds of billions more on these two wars, and unless we change the way we budget for those costs, all of that new spending will be added to our deficits, too. This resolution includes an additional $59 billion in war-related spending for the current fiscal year, and $159 billion for FY 2011. It also includes $50 billion as a placeholder in FY 2012 and 2013, but nothing beyond that. Altogether, this budget resolution anticipates more than $300 billion in additional costs, and that is almost certainly far less than will be needed. Just for the years covered by this resolution, based on a scenario of getting down to 60,000 troops in both Iraq and Afghanistan by 2015, CBO projects $273 billion more than the $300 billion the budget resolution already provides.

To his credit, President Obama has provided more transparency than the previous Administration. But disclosing anticipated costs in a budget is not the same as paying for those costs.

My own preference is that we end our involvement in these wars. Instead of focusing so much of our attention and resources on just two countries, we need a comprehensive, global strategy to enhance our national security. Al Qaeda is not a two-country franchise but a nimble, global threat.

However, if we are going to continue these wars, my amendment requires that we pay for those costs rather continuing to add them to the budget deficit. It permits them to be offset over 10 years to lessen the immediate fiscal impact on our economy, but it requires that we enact policies now that ensure deficit neutrality for any additional spending on the wars. And I am pleased the Committee decided to add my provision to the budget resolution. Doing so will cut the deficits proposed in this resolution by more than $300 billion.

But while that specific provision is a significant improvement over previous budgets, other provisions in the resolution represent a big step backwards. Perhaps most notably, the resolution provides for new tax and entitlement spending policies that will be added right to projected budget deficits. When the debt service costs are added in, these changes will add nearly $1 trillion to the budget deficits in the fiscal years covered by this resolution.

Some of the policies that are assumed to be deficit-funded in this resolution are otherwise worthy policies. For example, the resolution assumes we will again renew the so-called "doc fix" to prevent scheduled cuts to Medicare physician reimbursement, and that the cost of such a measure will be added to the deficit. I strongly support preventing those cuts, but we should do so in a manner that does not further aggravate our deficits. The same is true of enacting the hold-harmless protection for the Alternative Minimum Tax (AMT), to prevent it from being imposed on families with modest incomes. Here again, we should enact legislation to prevent that AMT expansion, but we should do so in a way that avoids adding the cost to our deficits.

But even worse than assuming the cost of these policies will just be added to the deficit is the actual weakening of our current budget rules to pave the way for that fiscally irresponsible action. Over the next 10 years, the changes proposed to our budget rules in the resolution will permit new tax and entitlement policies that will add nearly $2 trillion to our deficits.

As we start the difficult task of cleaning up the fiscal mess left to us by the last Administration, weakening our budget rules is precisely the wrong thing to do.

An argument has been made that the changes proposed by the resolution are needed to avoid conflicts between the statutory PAYGO restrictions and our Senate PAYGO budget rule. While those conflicts may be inconvenient, they certainly aren't debilitating. Moreover, far more modest changes could have been made to the Senate rule to avoid some of the technical differences that certainly exist without undermining the essential mission of the PAYGO rule, namely to make it harder to enact measures that aggravate our budget deficits.

Beyond the issue of avoiding conflicts between statutory PAYGO requirements and our Senate PAYGO rule, some may point to the policies exempted by the proposed changes to the PAYGO rule, and suggest that those policies are needed, and deserve special consideration, or they may assert that those policies have broad support, and are likely to be able to overcome any budget point of order raised in the event they are not fully paid for.

Neither of those arguments is persuasive. That a policy is a good one is not an argument that we shouldn't pay for it. Indeed, most taxpayers would argue that we should only be enacting policies that are good ones, and that we also should be paying for them.

And if anything, the ability of a policy to garner the 60 votes needed to waive the deficit neutrality requirement is an argument for retaining that fiscally responsible threshold.

The 60-vote waiver provision is an important feature of the PAYGO rule. The PAYGO rule is not absolute. It does not prohibit tax cuts or entitlement spending increases that are not offset. It specifically provides for a supermajority waiver in the Senate. It recognizes that while the default position of our budget rules should be that we not add to the deficit, there may be occasions when it may be necessary or unavoidable.

On occasion, I have supported waiving the PAYGO rule. And I may well support waiving it again, including with respect to some of the policies this budget resolution seeks to exempt from PAYGO discipline.

But requiring three-fifths of the Senate to agree before moving ahead with legislation that aggravates our deficits is a sound approach. Instead of seeking to build exemptions into the PAGYO rule for certain policies, supporters of those policies should be seeking ways to pay for them.

Incorporating loopholes in the Senate's PAYGO rule is fiscally reckless, but it isn't new. In the earlier part of this last decade, every policy assumed in the budget resolution was exempted from PAYGO discipline. We are now living with the legacy of that approach, namely the worst fiscal mess in our Nation's history. The changes made to the PAYGO rule in this resolution are reminiscent of that disastrous approach. It would be a huge mistake to venture down that path again.

Judd Gregg

Minority Views of Ranking Republican Member
Senator Judd Gregg
April 26, 2010

Now in my final year in the U.S. Senate and as a member of the Senate Budget Committee, I would like to note that I have greatly enjoyed working with Chairman Kent Conrad over the years. His depth of knowledge on fiscal matters and his strong commitment to the budget process is unrivaled. While we often hold opposing views, I commend the Chairman for his dedication to the fiscal well-being of the nation and greatly appreciate the mutually respectful working relationship that we have enjoyed.

While both Chairman Conrad and I are committed to having a more fiscally responsible federal government, it is clear that the nation has miles to go before reaching that goal. The economy continues to be unstable, but spending by the Congress is out of control, and the resulting debt threatens to bankrupt future generations. As Chairman Conrad says, "the debt is the threat," and he is absolutely correct in that assessment.

Unfortunately, this 2011 budget resolution – approved by the Senate Budget Committee on April 22 – is lacking in many regards. It is represented as an improvement over the President's 2011 budget request, but that claim is based not on significant spending restraint, but on higher taxes on American families and small businesses. Simply put, this budget means more spending, more deficits, more debt, and consequently, less prosperity for our children.

At a time when most American families, businesses, and state and local governments are tightening their belts, the federal government is in the process of building a permanent spending spree on top of a fiscal outlook that we already knew was unsustainable. While spending over the past 18 months for fiscal stimulus and financial rescue has been a necessary (if sometimes misdirected) step to prevent a total collapse of U.S. output and a meltdown of the global economy, the majority appears to believe that such a fiscal surge ought to be permanent. While the federal government consumed an average of less than 21 percent of the economy annually from 1970-2009, under the President's budget plan, the federal government is on a path to consume more than 25 percent of GDP by the end of the decade.

This committee-reported budget resolution does little to hold the line on spending and achieves only a slightly lower deficit level than the President by increasing taxes.

On the mandatory side of the ledger, despite the fact that we now face $77 trillion in unfunded mandatory obligations over 75 years, Democrats not only take no action, they pour gasoline on the fire. This budget resolution simply ignores the spending on autopilot and the totally unaffordable growth that occurs in big mandatory programs like Social Security, Medicare and Medicaid. Further, it hides $163 billion in increased mandatory outlays over five years on the revenue side of the budget. Meanwhile, the President's budget increases mandatory spending (not including interest) by $1.9 trillion, or 8 percent, over 2011-2020.

Unfortunately, when Congress and the President enacted the health care bill, the bill took trillions of dollars in Medicare savings, which should have been used to shore up Medicare and improve our debt situation, and used those savings instead to create a new entitlement. That will dramatically reduce the flexibility that decision makers have to address this problem as we move forward, either through the Fiscal Commission or by regular order.

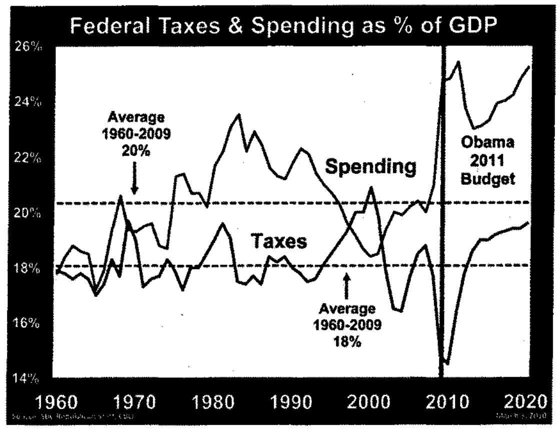
On the discretionary side of spending, the "spending freeze" included in both the President's budget and this budget resolution does not hold up under scrutiny. It still allows non-security discretionary spending to increase at nearly twice the projected rate of inflation. This budget resolution touts its marginally lower level than the President's non-defense request, but this is a weak attempt to close the barn door after the horse has gotten out, since nondefense discretionary spending enacted over the past two years increased by approximately $80 billion (20 percent).

Simply put, as a result of this budget and the policy course the Democrats have embraced, Americans are going to see their taxes increase steadily over the next five years. Relative to the taxes people now send in to the federal government, this budget will raise taxes to pay for its failure to get spending under control. Furthermore, when Republicans offered to improve the resolution by including enforceable spending caps for five years and requiring mandatory spending savings through reconciliation, the Democrats rejected our ideas.

The Senate's Pay-Go point of order, which was advertised in the 2006 and 2008 election campaigns as a major obstacle to new deficit spending, is significantly weakened by this budget resolution, which exempts certain legislation (the doctor fix for five years and the Alternative Minimum Tax (AMT) fix and the estate tax adjustment for two years) from having to be paid for. The budget resolution changes Senate Pay-Go to operate the same way that the weak and ineffective House Pay-Go rule and statutory Pay-Go operate.

Because spending is the real problem we face, our fiscal mess is not something we can solve just with higher taxes, although the Democrats do try to take that approach. Their budget assumes steep marginal rate tax increases on individuals earning more than $200,000 and couples earning more than $250,000, a move that will hit the economic engine of growth – small businesses – particularly hard.

By the end of 2020, revenues under the President's budget as a percentage of GDP are projected to be 19.6 percent of GDP – in excess of the historical average of approximately 18 percent – but deficits will still amount to 5.6 percent of the economy. Relying on tax increases alone to close the gap will completely devastate the economy.



Beyond increasing taxes, the Democrats' budgets seem content to leave our problem of deficits and debt in the hands of the President's fiscal commission, whose recommendations may or may not be acted on by Congress. Let's hope the fiscal commission, which has its first meeting tomorrow, can accomplish something, because this level of spending, borrowing, and debt is not without consequence.

The Economist magazine recently presented some sobering statistics. The budget deficit-to-GDP ratio of the United States, at 11.1 percent in 2010, ranks 41st among the 43 major economies surveyed; only the United Kingdom and Spain rank worse. Even crisis-wracked Greece, with a deficit of 9.5 percent of GDP, had a better showing. It is these annual budget deficits, occurring year after year, that inexorably add to the government debt, and the Democrats have no credible plan to address this looming crisis.

As U.S. debt mounts, there is the danger that credit ratings agencies will downgrade U.S. government debt from its current AAA status, resulting in a loss of confidence in U.S. debt around the world and interest rate hikes from the countries that finance our debt. With the U.S. government on track to use increasing amounts of its annual revenues to pay interest on its debt over the next 10 years, it is in danger of exceeding the threshold of about 14 percent (for "General Government", which combines the federal government with state and local governments) that some ratings agencies monitor to assess whether nations can sustain their debt load. We're on a course to have a junk-bond government.

Meanwhile, the debt will not just disappear. Our children will have to pay back all of our debt with interest, which is absorbing a greater share of the economy each year. For example, when the President took office in January 2009, federal debt held by the public was $84,700 per U.S. child under age 18. Under his new budget plan, by 2020 each child's share will be $248,700.

Finally, this budget resolution appears poised to aggravate our problems rather than aggressively attack them. The $2 billion reconciliation instruction to the Finance Committee is not a tool for tackling long-term debt. Rather, such an instruction is actually dangerous. Last year, the Democrats' budget resolution included a $2 billion reconciliation instruction, and the Congress used it to spend $2.6 *trillion* on a massive expansion of health care entitlements.

Any reconciliation instruction should be a genuine instruction that seeks to reduce the deficit rather than shut out the minority and provide an excuse to expand spending. In accordance with my amendment that the Budget Committee voted to add to the reported resolution, the Finance Committee would not be able to increase spending by more than $400 million in such a reconciliation bill (which is 20 percent of $2 billion; assuming the Finance Committee could achieve gross savings of at least $2.4 billion, net deficit reduction would still be $2 billion to comply with the instruction).

As future generations struggle to pay back the debt they will inherit, their quality of life will be significantly lower than ours – instead of working to better their own lives, they will be working to pay off the fiscal irresponsibility of the current generation. Our children and grandchildren will have less money for the hallmarks of the American dream – a home purchase, a college education, a secure retirement.

The bottom line is that we are on an unsustainable path. And this budget doesn't do anything to significantly adjust that, which is a missed opportunity for us, and for future generations.

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