



U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ democrats.budget.house.gov

Chris Van Hollen,
Ranking Democrat

February 23, 2011

Summary and Analysis of the President's Fiscal Year 2012 Budget

Dear Democratic Colleague:

Last week the President put forth a budget that reduces our deficit over ten years while also investing in our future. Two years after the President inherited the worst economic crisis since the Great Depression and a structural deficit that came from years of fiscal irresponsibility, we have made progress. We still must do more to invest in job creation and economic growth in the short-term, as well as get our nation on a long-term, responsible path to fiscal sustainability. This budget makes an important step towards both those goals.

President Obama has made some tough decisions and smart choices that will create more jobs, lift up middle-class families, and keep our economy growing. His budget prioritizes national investments that will help our economy continue to recover and keep America competitive, focusing on important investments in infrastructure, education, and research. It also extends tax cuts for the middle class, while rejecting tax breaks for the wealthiest 2 percent. It represents an important down payment on getting our fiscal house in order.

The President's budget stands in sharp contrast to the House Republicans' proposed funding bill for the remainder of the year. We need to get serious about debts and deficits in this country – but while Democrats propose smart, precise cuts, the GOP wants to blindly slash in the short-term and has no plan for long-term fiscal sustainability. The President's budget is a responsible proposal that will help America move forward, while the reckless Republican approach will cost jobs and hurt the economy.

The attached summary and analysis by the Budget Committee Democratic staff expands on the highlights that I circulated last week. If you have any questions, please feel free to contact me or the Budget Committee staff at 6-7200.

Sincerely,

Chris Van Hollen
Ranking Democrat

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SUMMARY AND ANALYSIS

OF THE PRESIDENT'S

FISCAL YEAR 2012 BUDGET

February 23, 2011

This document has not been reviewed and approved by the Democratic Caucus of the Budget Committee and may not necessarily reflect the views of all members.

General Notes

- All years are fiscal years unless otherwise noted.
- The numbers in this document are OMB estimates.
- Unless otherwise noted, the 2011 level refers to the enacted continuing resolution funding government operations through March 4, 2011, which in most cases freezes 2011 funding at the 2010 enacted level.
- Throughout the document, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) is referred to as the Recovery Act.
- Funding levels for discretionary programs are stated in budget authority, and funding levels for entitlements and other direct spending programs represent outlays.
- Throughout the document, the Congressional Budget Office is abbreviated to CBO. The Office of Management and Budget is abbreviated to OMB.
- Numbers in tables may not add due to rounding.

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OVERVIEW

The President's budget request for fiscal year 2012 focuses on reducing the deficit while making the investments needed to create jobs and keep the country strong. The budget builds on the Democratic successes of the last two years: pulling the economy out of a deep recession, enacting health care reform that will both cover more people and reduce the deficit, and extending middle-class tax relief.

Deficit Reduction

The President's budget reduces the federal deficit to roughly three percent of Gross Domestic Product (GDP) by 2015, and it reaches primary balance (i.e., excluding interest) by 2017. At this level, debt held by the public would be sustainable, stabilizing as a percent of GDP. This deficit reduction is accomplished by hard choices in all areas of the budget.

- **Five-year Freeze for Non-Security Appropriations** — The budget freezes total non-security discretionary funding for five years at the 2010 level. That five-year freeze saves \$400 billion over ten years.
- **Pays for AMT and “Doc Fix”** — The budget includes specific offsets to cover the cost of both preventing the Alternative Minimum Tax (AMT) from hitting millions of middle-income families for three years, and the cost of extending current Medicare physician payment rates for two years. The Administration supports making these policies permanent and is committed to working with Congress to identify savings to offset the out-year costs.
- **Enforces Eligibility for Federal Services and Payment of Taxes Owed** — The President's budget proposes to continue efforts to increase resources to combat wasteful spending and ensure that revenues owed to the government are collected. It includes \$125 billion of savings over ten years from efforts to combat health care fraud and abuse, reduce improper Unemployment Insurance payments, coordinate with states to reduce errors and improve service in means-tested programs such as Medicaid, and increase the Social Security Administration's continuing disability reviews and redeterminations.
- **Does Not Extend Upper Income Tax Cuts** — The budget proposes to save \$1.0 trillion over ten years by not extending tax cuts for upper income earners after the tax cuts expire in two years and by maintaining the estate tax at the 2009 parameters adjusted for inflation.

The President's FY 2012 Budget Totals in Billions of Dollars

(OMB estimates)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Receipts	2,174	2,627	3,003	3,333	3,583	3,819	4,042	4,257	4,473	4,686	4,923
Outlays	3,819	3,729	3,771	3,977	4,190	4,468	4,669	4,876	5,154	5,422	5,697
Deficit	1,645	1,101	768	645	607	649	627	619	681	735	774
% of GDP	10.9	7.0	4.6	3.6	3.2	3.3	3.0	2.9	3.0	3.1	3.1

Building a Stronger Country

The President's budget would return the federal government to sounder fiscal standing through a combination of hard choices and wise investments. It proposes funding where federal dollars can make a difference now and in the future. That includes creating jobs by building a physical infrastructure that will enhance commerce and meet the country's needs more efficiently. The budget also focuses on building a stronger country by investing in education and research that will create a workforce prepared to meet the challenges we will face.

Infrastructure — Difficult state budget cuts, the drying up of most of the Recovery Act dollars, and multiple short-term extensions of the previous highway bill combine to put the continued maintenance and improvement of our public infrastructure in jeopardy. As a result, the budget includes targeted, high-value investments that create jobs, facilitate commerce, increase public safety, and that partner with the private sector. Proposed investments include \$556 billion over the 2012-2017 period to reauthorize transportation programs and about \$18 billion to expand wireless communications nationwide. See *Infrastructure* for additional details.

Energy, Innovation, and Research — The budget proposes significant increases to maintain American competitiveness and promote economic growth through investments in basic research, scientific innovation, and renewable energy technologies. This includes a 13 percent increase for the National Science Foundation and a 9.2 percent increase for the Department of Energy's Office of Science compared with the 2011¹ level. It more than doubles funding for energy efficiency activities and it increases funding for renewable energy technologies by 70 percent, while decreasing funding for fossil fuels by 44.5 percent. It increases funding for the National Institutes for Health by \$1 billion, to a total of \$31.8 billion. See *Energy, Innovation, and Research* for more details.

¹ The 2011 level refers to the enacted continuing resolution funding government operations through March 4, which in most cases freezes 2011 funding at the 2010 enacted level.

Education — The President’s budget proposes to increase education funding to maintain the maximum Pell grant at the current \$5,550 – paid for in part by mandatory savings from changes to student loan programs – and to increase all other education programs by \$2.0 billion (4.3 percent) over the 2011 level. The budget focuses on providing all students with access to a high quality education, with increases for effective programs that will train teachers and prepare students for college and work. See *Education* for further details.

Other Key Features

Tax Policy — The President’s budget would permanently extend the 2001-03 tax cuts for the middle class. It would permanently patch the AMT to prevent it from hitting millions of additional taxpayers and would offset the cost of this patch for the first three years. The budget would also extend \$254 billion over ten years in additional tax cuts for families and individuals. The Administration would cut taxes for businesses by \$116 billion over ten years by encouraging investment and innovation, particularly in the production of clean energy. The budget proposes \$356 billion in new revenues through closing loopholes and broadening the tax base. It also proposes other program changes that would raise net receipts by \$102 billion over ten years. Finally, it would allow tax cuts for those with incomes above \$200,000 (\$250,000 for couples) to expire as scheduled under current law. See *Revenues* for more details.

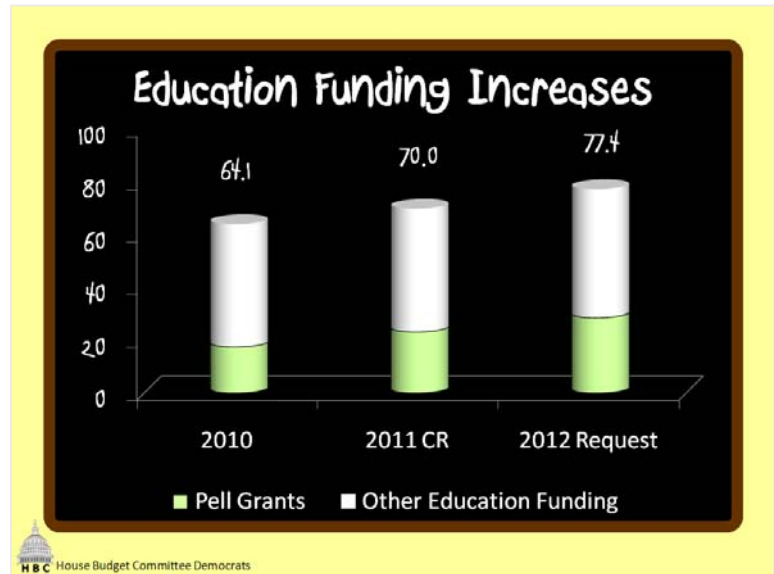
Security Funding — This category of spending includes the Department of Defense (DoD), the nuclear weapons activities at the Department of Energy, the Department of Homeland Security (DHS), the Department of Veterans Affairs (VA), and the Department of State and other international programs. Excluding war costs, the security budget provides for modest annual growth over the next two years, which is then slowed to just over 2 percent annually over the remainder of the ten-year budget window. Highlights of the security budget include a \$78.2 billion cut to DoD over five years compared with the President’s 2011 request, a 3 percent increase above 2011 for the VA, and \$126.5 billion for military and diplomatic operations in Iraq and Afghanistan – \$38.2 billion less than the 2011 request. See the chapters on security spending for more details.

EDUCATION

Overview

In the context of an overall freeze on non-security appropriations, the President's 2012 budget proposes to increase education funding because it is important both to students now and to creating a stronger future. The budget seeks to build on the groundwork laid by the American Recovery and Reinvestment Act, which provided roughly \$100 billion to help school districts maintain education services during the recession, to increase the size of Pell grants for needy college students, and to encourage states to raise their education standards both for students and teachers.

Discretionary funding for the Department of Education (ED) would increase by \$7.4 billion, with \$5.4 billion to help maintain the maximum Pell grant at the current \$5,550 and the remaining increase primarily supporting K-12 competitive grant programs.



Elementary and Secondary Education

The 2012 budget focuses on providing all students with access to a high quality education, with increases for effective programs that will help prepare students for college and work. It supports the Administration's earlier proposal to reauthorize the Elementary and Secondary Education Act, proposing to consolidate 38 existing K-12 programs into 11 new programs that focus on innovative approaches to more effective teaching and to improve student achievement. (The complete list of education programs proposed for consolidation or elimination is online at:

<http://www2.ed.gov/about/overview/budget/budget12/summary/edlite-section3.html>)

\$1.2 Billion for Race to the Top and the Investing in Innovation (i3) Fund — The budget proposes \$900 million for school districts to compete for Race to the Top grants, a program first funded for states by the Recovery Act in 2009. The grants would support comprehensive reforms that are proven to increase student achievement and high school graduation rates. The budget also requests \$300 million for a second new competitive grant program modeled after the Recovery Act's "i3" program to support promising practices that do not yet have the data to show proven results. Both would be designed to ensure rural school communities could compete.

Cuts Funding for Teacher Training — The budget consolidates nine teacher training programs into three new ones, cuts overall funding by \$244 million (7.0 percent), and proposes to provide more of the remaining \$3.2 billion through competitive grants. It cuts the teacher quality state formula grant program by \$448 million (15.2 percent) to \$2.5 billion, and provides another \$750 million through two competitive grant programs to reward effective teachers and help train more teachers through traditional or alternative pathways. It eliminates funding currently targeted to specific teacher training programs, including Teach for America, School Leadership, and Advanced Credentialing.

Cuts Vocational Education — The budget cuts vocational education funding by a total of \$264 million (20.7 percent), cutting state grants for career and technical education by \$161 million and eliminating Tech Prep state grants.

Modest Increases for Title I and IDEA — The budget provides a \$300 million (2.1 percent) increase for Title I (Education for the Disadvantaged), which is renamed Accelerating Achievement and Ensuring Equity, for states to reward high-poverty schools making progress and achieving success. The budget increases funding for special education state grants by \$200 million, which would provide roughly 6.6 million children with about \$1,765 in assistance and maintain the federal government's share of the average per pupil expenditure for special education at about 17 percent. It also increases special education grants for infants and families by \$50 million.

Other Notable Funding Increases — The budget dramatically increases funding – from \$10 million to \$150 million for 2012 – for Promise Neighborhoods, which provides competitive grants to improve the education and support for children in high-poverty communities. It also provides a \$54 million (10.0 percent) increase for School Turnaround Grants (currently School Improvement Grants) for states to help their lowest-performing schools.

Higher Education

The budget focuses funding on making college more affordable for low-income students, encouraging more people to get training to become effective teachers in high-need subjects, and making the federal aid programs more efficient and less costly.

Pell Grants — As more low-income students use Pell grants to help pay for college, the cost of maintaining the maximum grant at \$5,550 continues to rise. The President's budget proposes to find the funding to maintain the Pell grant at the current level through a combination of increasing discretionary appropriations, new mandatory grant funding that is offset elsewhere in the education budget, and reducing costs due to changes in the program. For 2012, the budget would increase discretionary Pell grant funding by \$5.4 billion above the 2011 level – for a total that is \$11.1 billion over the 2010 enacted level. The budget also proposes \$43.9 billion in new mandatory grant funding for Pell over ten years, paid for with savings from eliminating the year-round Pell grant, which allowed students a second grant in one year, and changing the student loan program. The budget also assumes reduced program costs due to greater enforcement of eligibility regulations. While losing year-round Pell grants will affect the students who got two grants in one year, the resulting savings make it possible to maintain the grant level for all 9.6 million Pell grant recipients.

Student Loans — The budget offsets the remainder of the increased mandatory costs of Pell grants with \$29.3 billion in savings over ten years from eliminating the in-school interest subsidy on loans for graduate students, and \$2.2 billion from letting borrowers convert previous debt from guaranteed loans to Direct Loans. The budget includes \$9.6 billion in savings associated with changing the Perkins loan program from a campus-based revolving loan program into a direct loan program that covers an additional 2.5 million students at an additional 2,700 colleges.

Other Student Aid — The budget freezes campus-based aid at the 2011 level. In addition, it eliminates the \$64 million Leveraging Education Assistance Partnerships but provides \$50 million in 2012 and a total of \$1.2 billion over five years in new mandatory spending for College Completion Incentive matching grants to states to help more students complete high school prepared for college, and help more students graduate from college. It also would overhaul the TEACH grant program and replace it with \$508 million in mandatory spending over ten years for a new Presidential Teaching Fellows program that awards scholarships for teacher training in exchange for three years of teaching in a high-need school or subject.

Higher Education Programs — The budget maintains funding at the 2011 level for Aid for Institutional Development, which includes Historically Black Colleges, Hispanic-Serving Institutions, and other minority-serving institutions. It includes an increase of \$10 million for Upward Bound within the TRIO programs. Finally, it proposes \$40 million for a new Hawkins Centers of Excellence program to expand and reform teacher training programs at minority-serving institutions.

American Opportunity Tax Credit — The budget includes \$93.6 billion over ten years to extend the American Opportunity tax credit beyond its expiration in 2012. This tax credit, which replaced the smaller Hope credit, covers up to \$2,500 of qualified tuition and related expenses for individuals with incomes under \$80,000 or couples under \$160,000.

Early Learning

The budget makes investments in educating children from birth through kindergarten with several programs, including special education grants for infants and families.

Early Learning Challenge Fund — The budget includes \$350 million for a new competitive state grant program to help more children enter kindergarten ready to learn.

Head Start — The budget includes \$8.1 billion for Head Start (which is in the Department of Health and Human Services), an increase of \$866 million over the 2011 level, in order to continue providing school-readiness services to more than 967,000 low-income children.

ENERGY, INNOVATION, AND RESEARCH

The President's Budget proposes \$38.6 billion in appropriations for energy, science, and research programs, an increase of \$2.5 billion compared with the 2011 level. The budget proposes significant increases to develop and deploy proven renewable energy technologies, while reducing funding for fossil fuels and less promising clean energy sources. It also includes proposals to promote greater energy efficiency in both the public and private sector. The budget emphasizes new investments in research and development to drive innovation and lay the foundation for future economic growth.

Promotes Clean, Renewable Energy Technologies

Energy Efficiency and Renewable Energy — The budget proposes \$3.2 billion for the Department of Energy's (DOE) Office of Energy Efficiency and Renewable Energy, an increase of \$958 million or 42.7 percent when compared with 2011. Major changes in this area of the budget include (all comparisons below are with 2010 appropriated levels):

- Solar Energy: \$457 million (up \$214 million or 87.7 percent)
- Wind Energy: \$127 million (up \$48 million or 60.6 percent)
- Weatherization and Intergovernmental Activities: \$394 million (up \$124 million or 46 percent)
- Vehicle Technologies: \$588 million (up \$284 million or 93.4 percent)
- Hydrogen and Fuel Cell Technologies: \$100 million (down \$70 million or 41.0 percent)

Fossil Fuels — The budget proposes \$521 million for DOE's Office of Fossil Energy, a reduction of \$430 million compared with the 2011 level. The budget proposes to reduce or eliminate all DOE fossil fuel research and development programs, a reduction of 31 percent, and would reduce funding for the Strategic Petroleum Reserve by more than 50 percent. The budget also proposes to eliminate fossil fuel tax preferences, saving \$3.6 billion in 2012 and \$46 billion over 10 years.

Public and Private Sector Building Efficiency — The budget includes several proposals designed to improve energy efficiency in commercial use buildings. Specifically, it proposes an additional \$478 million for building and industrial energy efficiency research programs; replaces the existing tax deduction for commercial energy efficiency expenses with a tax credit, while increasing the size of the program to \$1.0 billion over 10 years; and creates a new \$100 million "Race to Green" grant program for state and local governments to develop and deploy innovative approaches to building efficiency.

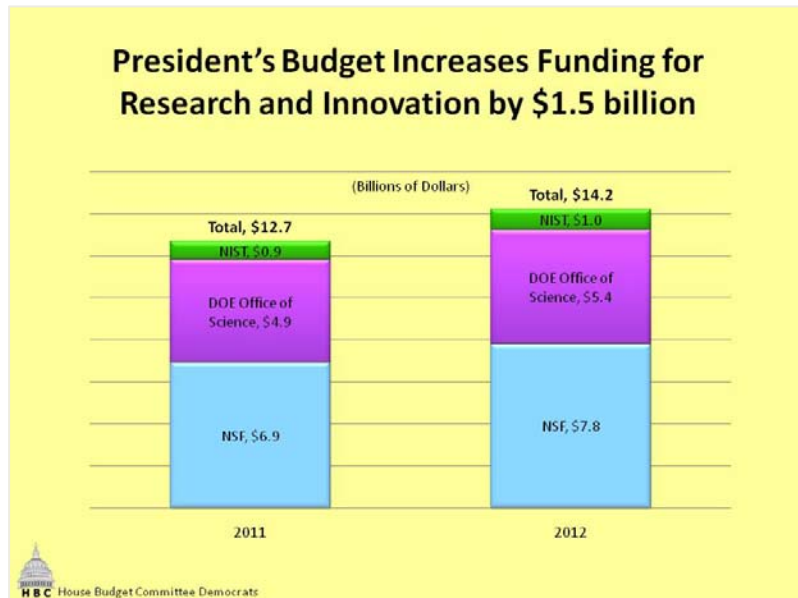
Nuclear Energy — The budget proposes \$853 million for research and development of nuclear energy technologies, and eliminates funding for the Nuclear Power 2010 and Generation IV Nuclear Energy Systems initiatives. The budget also proposes an additional \$36 billion in loan guarantee authority, which, when combined with existing authority, will support six to eight nuclear energy projects.

Advanced Research Projects Agency-Energy (ARPA-E) — The budget proposes \$550 million for ARPA-E, which received \$387 million in the Recovery Act but did not receive appropriations for 2010 or 2011. ARPA-E pursues high-risk, high-reward research in transformational energy technologies.

Expands Basic Research and Fosters Innovation

National Science Foundation (NSF)

— The budget proposes \$7.8 billion for the NSF, an increase of 13 percent when compared with 2011. The increased funding is targeted to basic research activities in clean energy and advanced manufacturing technologies. Funding is also requested to promote science, technology, engineering, and mathematics (STEM) education, including \$100 million for community colleges and \$40 million in new programs for STEM educators.



National Institute of Standards and Technology (NIST) — The budget proposes \$1.0 billion for NIST, which is an increase of 16.3 percent above the 2011 level. The proposed funding includes \$767 million for NIST's laboratories, \$143 million for the Hollings Manufacturing Extension partnerships, and \$75 million for the Technology Innovation Program. The budget also proposes \$100 million for a public safety innovation fund, paid for with proceeds from the auction of relocated spectrum licenses.

DOE Office of Science — The budget proposes \$5.4 billion for the DOE Office of Science, an increase of 10.4 percent when compared to 2011. The increased funding supports a wide range of programs designed to discover new ways to produce, store, and use energy. The budget also proposes an increase of \$15 million for workforce development for teachers and scientists.

National Aeronautics and Space Agency (NASA) — The budget proposes \$18.7 billion for NASA, the same level of funding as 2011. The budget continues reductions in the space operations program due to the proposal to retire the space shuttle. In order to replace the space shuttle program, NASA is committed to developing alternative solutions to human space exploration, including expanding the commercial spaceflight program, which the budget proposes to fund at \$811 million, a twenty-fold increase over the 2010 level. The budget also proposes to increase funding and extend the lifespan of the International Space Station, and to increase funding for NASA science programs by \$519 million over the 2011 level.

Private Sector Research and Development — The budget proposes to enhance and make permanent the research and development tax credit available to businesses. This proposal would return \$4.6 billion to American businesses in 2012, and \$106 billion over the next ten years, to incentivize private sector investment in research and development. See *Tax Policy* for additional details.

Enhances the National Institutes of Health (NIH)

The budget proposes a program level of \$32.0 billion for the National Institutes of Health, which is \$1.0 billion above the 2011 level. A key component of the budget proposal is the creation of a new National Center for Advancing Translational Sciences, which aims to bridge the divide between basic science and therapeutic applications. The Center aims to build new partnerships to foster collaboration between the government and private industry, in order to speed up the development of treatments for common diseases. Other priorities going forward include building on recent discoveries regarding cancer genomes to pursue new ways to prevent, detect, and treat cancer; working with the private sector to move forward on finding ways to combat Alzheimer's disease; and autism research.

INFRASTRUCTURE

The President's budget makes significant, targeted investments in infrastructure programs that deliver benefits nation-wide, especially in the areas of transportation and communications.

It supports a full reauthorization of surface transportation programs that will create jobs, connect communities, increase the productivity of the private sector, and increase Americans' quality of life. It also proposes a Wireless Innovation and Infrastructure Initiative that partners with the private sector to make better use of our radio airwaves, to build a truly interoperable communications network for first responders, and to connect the entire country to a high-speed internet. These two initiatives are not only large in size and scope, but are also fiscally responsible by not adding to the deficit over the next ten years.

Surface Transportation — The budget proposes a front-loaded set of investments in highways, mass transit, and passenger rail that will provide an immediate boost to the country's transportation systems. It proposes to budget for these investments in a restructured, expanded transportation trust fund. Specifically, over a six-year reauthorization period (2012-2017), the budget requests:

- **Highway and Mass Transit Reauthorization** — About \$468 billion for highway, highway safety, and mass transit programs, more than a 60 percent increase over the \$286 billion in contract authority provided by the previous highway bill (SAFETEA-LU);
- **High Speed Rail** — \$53 billion for the High Speed Rail initiative, including \$8 billion in 2012. While this proposal builds on other high speed rail funding provided to date, it also makes significant capital improvements to Amtrak and the Northeast Corridor.
- **National Infrastructure Bank** — \$30 billion for an "I-Bank" that will leverage federal, state, local, and private resources and will select and fund major projects of national and regional significance. The combination of grants and loans, awarded using cost-benefit analysis and other analytic tools, could also support transportation-related projects that involve other forms of infrastructure.
- **Fiscally Responsible Transportation Budgeting** — While the current Highway Trust Fund provides resources for highway, highway safety, and the majority of mass transit programs, the federal budget process is not able to effectively match the year-to-year funding to the shrinking gas tax revenue credited to the fund. As a result, the current trust fund is not able to support its spending and has depended on about \$35 billion in additional support from general revenues of the Treasury over the last three years.

The 2012 budget would end the need for general fund transfers by including the highway, safety, mass transit, and rail proposals in a new transportation trust fund (TTF). The TTF aligns transportation spending (which is reclassified as mandatory, making it subject to pay-as-you-go requirements that new net spending is offset with savings elsewhere) with the required dedicated revenues to support it. The budget includes \$328 billion over ten years to pay for

the increases in trust fund spending. It does not assume a specific mechanism but instead assumes that the President and the Congress will develop a bipartisan solution to support the investments.

- **Other One-Time Funding** — In addition to these major, job-creating investments, the transportation proposal also includes \$2 billion in flexible, multi-modal TIGER grants (Transportation Investments Generating Economic Recovery) and more than \$3 billion in capital grants to airports for 2012. The grants to airports are open to airports of any size, as opposed to the budget's proposal to limit the traditional Airport Improvement Program to small and medium-sized facilities.

Wireless Innovation and Infrastructure Initiative — The budget proposes about \$18 billion to get 98 percent of the nation connected to high-speed, wireless broadband over the next five years. The Administration proposes to raise \$27.8 billion by auctioning airwaves now in the hands of television stations and government agencies to interested private bidders, including mobile phone and broadband carriers in need of additional capacity to improve and expand services. With those auction proceeds, the government would fund new rural 4G wireless networks and a dedicated mobile communications system for fire, police, and emergency responders. The remaining almost \$10 billion would help reduce the deficit. This proposal includes:

- **A Public-Safety Interoperable Network** — More than \$10 billion would build the towers and lay the fiber for a new, dedicated communication network for our first responders. First responders from various state and local agencies would use the latest, fastest (4G) technology to communicate, send, and review data through smartphones, tablets, and other technology. A truly interoperable network would increase the speed and efficacy of emergency services during disasters;
- **Extending Wireless Broadband to Underserved Areas** — \$5 billion would begin to shift the Universal Service Fund from phone service to an expansion of wireless broadband in rural areas;
- **Technology Transfer** — \$3 billion would create a Wireless Innovation Fund that would partner government researchers with mobile phone and broadband carriers to expand wireless capabilities to technologies in the transportation, energy, health, education, and other sectors; and
- **Deficit Reduction** — Of the \$27.8 billion in new proceeds, almost \$10 billion would be returned to the Treasury for deficit reduction.

REVENUES

The budget proposes a \$3.1 trillion permanent extension of the 2001 and 2003 tax cuts for those with incomes under \$200,000 (\$250,000 for couples), permanent estate tax relief (2009 law extended), and permanent AMT relief. The budget reflects the cost of these permanent extensions in its deficit estimates, but would allow the Bush-era tax cuts for those making above \$200,000 (\$250,000 for couples) to expire as scheduled under current law. The budget also proposes a total of \$398 billion in income and corporate tax cuts over ten years, and \$678 billion in revenue raisers and loophole closers. The budget also promotes \$7 billion in new trade initiatives. Finally, the budget proposes changes in programs that would add \$102 billion to receipts.

AMT Relief — The budget proposes permanent AMT relief, which would cost an estimated \$1.5 trillion over ten years. The budget proposes to pay for the first three years of relief by capping itemized deductions at 28 percent of deductible expenses, which raises \$321 billion over ten years. The Administration wants to work with Congress to find offsets for the remaining seven years of costs.

New Tax Cuts for Businesses — The budget proposes major new investment tax incentives for businesses, totaling \$116 billion over ten years. The business tax credits include expanding and making permanent the research and experimentation tax credit, and tax incentives for the production of advanced clean energy and for the construction of energy-efficient commercial buildings. Just as last year, the budget would permanently eliminate some capital gains taxation for small businesses.

Tax Cuts for Families and Individuals — The budget also calls for \$254 billion in tax cuts for families and individuals. About \$130 billion represents the cost of making permanent several tax credits passed in the Recovery Act: the expanded earned income tax credit, the expanded child and dependent care tax credit, and tax credits for Americans to attend college and save for retirement. The budget allows the Making Work Pay credit to expire. The budget also proposes a \$124 billion extension of the 20 percent top tax rate on capital gains and dividends for those making above \$200,000 (\$250,000 for couples).

Additional Incentives to Promote Growth and Trade — The Administration requests \$5 billion to spur regional growth by designating tax-favored “Growth Zones,” extending the New Markets Tax Credit, and extending the Build America Bonds program. The budget also calls for continuing \$22 billion in expiring individual and business tax incentives through calendar year 2012. Finally, the budget proposes \$7 billion to expand trade initiatives.

Raising Revenues and Closing Loopholes — The budget proposes a variety of measures to broaden the revenue base and close corporate loopholes, raising \$678 billion over ten years. Nearly all of these measures were proposed in last year’s budget. One proposal would limit itemized deductions to 28 percent of deductible expenses – which raises \$321 billion – and would fund three years of AMT relief. Other key revenue raisers include: reforming the U.S. international tax system; repealing all fossil fuel tax subsidies; repealing the LIFO method of inventory accounting; imposing a financial crisis responsibility fee; taxing carried interest; and reducing the “tax gap” of taxes owed and not paid. (The

table below lists the major revenue raisers and their ten-year totals.) These proposals are consistent with the base-broadening proposals put forward by the President’s Fiscal Commission. The budget materials stress that the Administration’s desire is to work with Congress on corporate tax reform. However, the budget shows savings only from base-broadening and closing loopholes and not a reduction in corporate tax rates.

Other Changes — The budget proposes program changes that would raise net receipts by \$102 billion over ten years. The proposals include broadening the unemployment insurance payroll tax base, which would raise \$46 billion over ten years, and increasing administrative resources for the Internal Revenue Service to improve tax enforcement and compliance, which would bring in an additional \$56 billion in revenues.

<i>Select Revenue Raisers and Loophole Closers</i>	<i>10-Year Revenue Gain</i>
TOTAL	\$678 billion
Cap itemized deductions at 28% of deductible expenses	\$321 billion
Reform U.S. international tax system	\$129 billion
Repeal the LIFO method of inventory accounting	\$53 billion
Repeal fossil fuel tax subsidies	\$46 billion
Reduce the “tax gap” of taxes owed but not paid	\$30 billion
Financial crisis responsibility fee	\$30 billion
Reinstate Superfund taxes	\$21 billion
Make unemployment insurance surtax permanent	\$15 billion
Tax carried interest	\$15 billion
Reform tax treatment of insurance companies and products	\$14 billion
Repeal lower-of-cost-or-market inventory accounting method	\$8 billion

Source: President’s FY 2012 Budget, Table S-8.

ECONOMIC ASSUMPTIONS

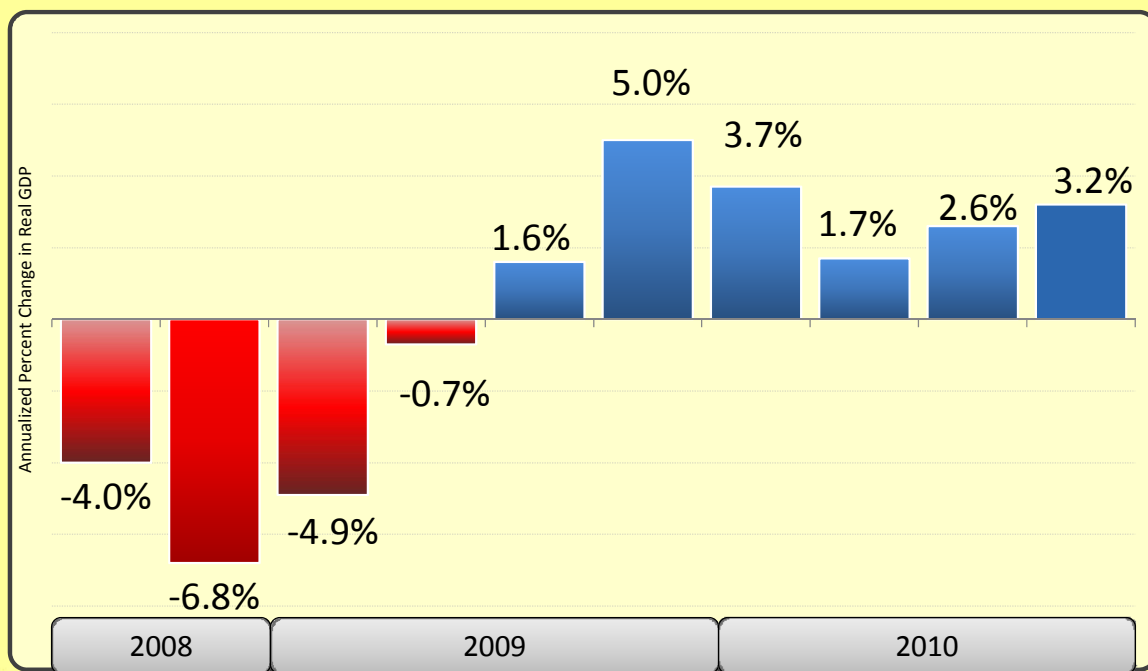
The Administration forecasts real economic growth of 3.9 percent over the next five years and 3.2 percent over ten years. While this forecast is more optimistic than CBO's forecast (3.3 percent and 2.9 percent real growth, respectively), it is in line with short-term Blue Chip forecasts. Higher economic growth means higher revenues and lower deficits, all things being equal.

Inflation is projected to average 2.0 percent over five years and 2.0 percent over ten years, which is close to CBO's projections.

Unemployment is projected to be 9.3 percent for 2011 and 8.6 percent for 2012, falling to 5.9 percent by 2015 and 5.3 percent by 2017, which is also close to what CBO forecasts.

Three-month and ten-year Treasury interest rates rise gradually from extremely low levels in 2011 to still-low, pre-crisis levels by 2017 (and are close to CBO's projections); low interest rates mean comparatively low debt service costs.

Recovery Takes Hold as Economy Grows For a Sixth Straight Quarter



SPENDING REDUCTIONS

The President’s budget takes several steps to reprioritize spending. It makes key investments while reducing the deficit through targeted spending cuts and more aggressive oversight.

Non-Security Appropriations Freeze — The budget proposes a five-year freeze at the 2010 level for appropriated non-security programs, saving more than \$400 billion over ten years.

Discretionary Spending in The President’s FY 2012 Budget

Excluding War and Emergencies, Budget Authority in Billions of Dollars

	2010	2011	2012	2013	2014	2015
Security	682.8	689.0	719.4	741.3	761.4	778.2
Non-Security	401.6	382.2	396.8	396.7	396.6	396.7
Total	1,084.4	1,071.2	1,161.1	1,138.0	1,158.0	1,174.9

Terminations, Reductions, and Savings — The budget identifies over 200 program terminations, spending reductions, and savings measures that cut \$33 billion from the deficit in 2012. These proposals are intended to increase efficiency, boost effectiveness, and streamline operations.

Ongoing Program Integrity Efforts — The budget combats waste, fraud, and abuse with increased enforcement efforts on both the mandatory and discretionary side of the budget. These initiatives improve accuracy and eliminate errors, boost transparency and enhance public confidence, and allow agencies to prove they are wise stewards of taxpayer dollars.

Expedited Rescission Authority — Again this year, the budget proposes an expedited rescission process to grant the President authority to single out individual items in legislation for cancellation. Under the proposal, the President would be allowed to send a limited number of rescission request packages to Congress under fast-track procedures for an up-or-down vote on the cancellations. The rescissions could only reduce or eliminate funding and, therefore, the President could not propose to redirect the funds for other purposes.

Differing Definitions of Security Funding

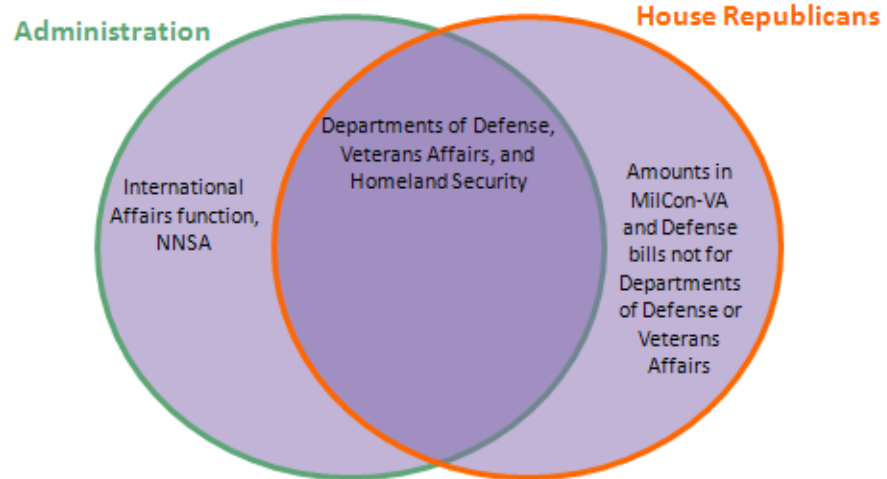
The Administration’s definition of “security” funding differs from the concept House Republicans are currently using. These definitions are different from the traditionally used budget categories of “defense” and “non-defense.” The Administration’s security category includes funding for the Departments of Defense, Homeland Security, and Veterans Affairs; the National Nuclear Security Administration (NNSA); and the International Affairs budget function. House Republicans, on the other hand, divide security and non-security amounts by appropriations bill. They designate security

funding to include all the funding in the Defense, Homeland Security, and the Military Construction, Veterans Affairs, and Related Agencies appropriations bills.

The largest difference between the definitions is that House Republicans do not include international affairs funding in their security category, while the Administration does.

The Administration also includes NNSA funding – which is included in the defense budget function – while House Republicans do not.

Administration and House Republicans Use Different Definitions of Security



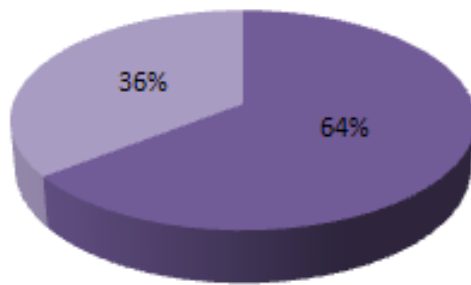
Alternative Security Definitions

President's 2012 Request	Administration Definition		House R's Definition		Total
	Security	Non-Security	Security	Non-Security	
Discretionary BA in billions of dollars, excluding war and emergencies					
Department of Defense- Military	553.0	---	553.0	---	553.0
Department of Homeland Security	43.2	---	43.2	---	43.2
Department of Veterans Affairs	58.8	---	58.8	---	58.8
National Nuclear Security Administration	11.7	---	---	11.7	11.7
International Affairs Function	52.7	---	---	52.7	52.7
Other	---	396.8	0.8	396.0	396.8
TOTAL	719.4	396.8	655.8	460.3	1,116.1

2012 Appropriations in the President's Budget

Administration Definition

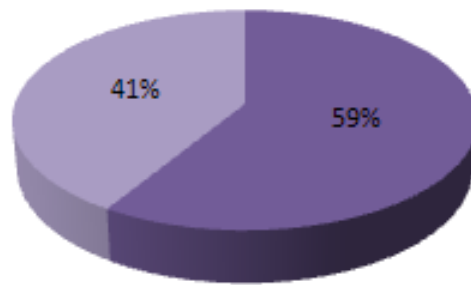
\$1,116 Billion



■ Security ■ Non-Security

House Republican Definition

\$1,116 Billion



■ Security ■ Non-Security

DEFENSE AND OVERSEAS OPERATIONS

The President’s 2012 budget proposes \$696.0 billion for defense discretionary activities – \$578.1 billion for non-overseas operations related national defense appropriated activities, otherwise known as the “base” budget, and \$117.8 billion for costs related to overseas operations. Of the base budget amount, \$553.0 billion is for the Department of Defense (DoD), \$18.1 billion is for the nuclear weapons-related activities of the Department of Energy (DOE), and \$7.0 billion is for miscellaneous national security activities in other agencies such as the Federal Bureau of Investigation and the Coast Guard.

National Defense (Function 050)								
(Budget Authority in Billions of Dollars)								
		2011	2011	2012	Increase/Decrease vs.			
		Request	Current	Request	2011 Request	%	2011 Current	%
Discretionary - Excluding Overseas Ops								
	Department of Defense	549.1	526.2	553.0	3.9	0.7%	26.9	5.1%
	Atomic Energy Activities	17.8	17.3	18.1	0.3	1.5%	0.9	5.0%
	Other Defense-Related Activities	7.0	6.7	7.0	(0.1)	-0.8%	0.2	3.3%
	Subtotal Base Discretionary	574.0	550.2	578.1	4.1	0.7%	28.0	5.1%
Overseas Operations								
	Department of Defense	159.1	159.0	117.6	(41.5)	-26.1%	(41.5)	-26.1%
	Atomic Energy Activities	-	-	-	-	-	-	-
	Other Defense-Related Activities	0.3	0.3	0.3	0.0	1.6%	(0.1)	-24.8%
	Subtotal Overseas Operations	159.3	159.4	117.8	(41.5)	-26.0%	(41.5)	-26.1%
	Total 050 Discretionary	733.3	709.5	696.0	(37.4)	-5.1%	(13.6)	-1.9%
	Mandatory	6.0	6.0	6.8	0.8	14.0%	0.8	14.0%
	Total Function 050 (Excluding Overseas)	580.0	556.2	585.0	5.0	0.9%	28.8	5.2%
	Total Function 050 (Including Overseas)	739.3	715.5	702.8	(36.5)	-4.9%	(12.7)	-1.8%
Memo								
	Function 050 National Defense	159.3	159.4	117.8	(41.5)	-	(41.5)	-
	Function 150 International Affairs	5.4	0.0	8.7	3.3	61.6%	8.7	100%
	Total War Costs	164.7	159.4	126.5	(38.2)	-23.2%	(32.8)	-26%

The President’s budget proposes a 5.1 percent increase above the current 2011 level for the defense discretionary spending category (excluding overseas operations and emergencies), a 0.7 percent increase above the President’s 2011 request. Over 5 years, the budget includes modest growth that slows to the rate of inflation by 2015. In total, for military and diplomatic operations in Iraq and Afghanistan, the budget includes \$126.5 billion for 2012, \$38.2 billion (23 percent) less than the 2011 request, and \$50 billion each year thereafter as placeholders to recognize future costs.

Department of Defense

DoD's Top Line Reduced \$78 Billion Below the 2011 Plan – DoD conducted an efficiency review that identified \$178 billion in overhead efficiencies over a five-year period compared with the President's request last year. Of this amount, \$100 billion was reapplied to other defense priorities, and the remaining \$78 billion is reflected as a reduction in overall defense funding levels. The efficiency initiatives include a freeze on the size of the civilian workforce, a two-year federal civilian pay freeze, health care reform (including indexing Tricare enrollment fees to inflation and incentives to utilize cheaper generic and mail order prescription drugs), and a reduction in the size of ground forces beginning in 2015. DoD plans to reduce the Army by 27,000 troops and the Marine Corps by between 15,000 and 20,000.

Department of Defense by Title — The following table compares the President's "base" budget request for 2012 with the 2011 level and the 2011 request, excluding emergency and overseas operations funding.

DoD Discretionary Budget Authority by Title					
(Billions of Dollars; Excluding Emergencies and Overseas Operations Funding)					
	2011	2011	2012	Percent Change vs.	
	<u>Request</u>	<u>Current</u>	<u>Request</u>	<u>2011 Req.</u>	<u>2011 Current</u>
Military Personnel	139	135	143	3.1%	5.6%
Operation and Maintenance	200	185	204	2.1%	10.8%
Procurement	113	105	113	0.1%	7.8%
RDT&E	76	80	75	-1.1%	-6.3%
Military Construction	17	16	13	-22.6%	-17.6%
Family Housing	2	2	2	-6.7%	-26.1%
Other	<u>2</u>	<u>3</u>	<u>3</u>	<u>13.4%</u>	<u>-12.9%</u>
	549	526	553	0.7%	5.1%

Military Personnel — The military personnel accounts fund the pay and allowances of active duty and reserve personnel, and include accrual payments for future retirement and health benefits. The President's "base" budget request of \$143 billion is 5.6 percent above the 2011 level and would support 2.3 million service members. It proposes a military pay raise of 1.6 percent – equal to the Employment Cost Index – and proposes increases of 4.2 percent in Basic Allowance for Housing (BAH) and 3.4 percent in Basic Allowance for Subsistence (BAS) payments.

Operation and Maintenance (O&M) — The O&M accounts fund training, military exercises and operations, spare parts, fuel, and all the other items a military force needs to operate its forces and installations. The President's "base" O&M proposal of \$204 billion is 10.8 percent above the 2011 level and 2.1 percent above the 2011 request. Part of this increase is due to the transfer of \$4.7 billion of costs from the Overseas Contingency Operations budget to the "base" budget.

Procurement and RDT&E — The budget proposes \$113 billion for procurement of weapons systems and military equipment including aircraft, ships, vehicles, and satellites. It requests \$75 billion for Research, Development, Test and Evaluation (RDT&E), which funds the development, design, and testing of new technologies and weapons platforms (including the procurement of initial quantities that are used for testing). The Department proposes to cancel a number of acquisition programs in order to apply resources to other defense priorities. These cancelations include the Expeditionary Fighting Vehicle (\$2.8 billion), the SLAMRAAM surface to air missile (\$1.1 billion), Non-line of Sight Launch System (\$3.2 billion), C-17 transport aircraft (\$2.5 billion), Joint Strike Fighter Alternative Engine (\$0.5 billion) and the Joint Multi-Mission Submersible program (\$0.8 billion).

Procurement highlights include the following:

- **Navy** – \$48.0 billion (\$45.3 billion in the base budget; \$2.6 billion in the Overseas Contingency Operations budget). This includes \$15.0 billion for Shipbuilding to begin construction of ten new ships, and \$19 billion to procure 227 aircraft.
- **Air Force** – \$42.2 billion (\$38.3 billion in the base budget; \$3.9 billion in the Overseas Contingency Operations budget). This includes \$14.6 billion to procure 114 aircraft, including 19 Joint Strike Fighters and 48 unmanned Reaper aircraft.
- **Army** – \$27.1 billion (\$22.4 billion in the base budget; \$4.8 billion in the Overseas Contingency Operations Budget). This includes \$7.1 billion to modernize Chinook, Black Hawk, and Apache helicopters, and to procure unmanned reconnaissance aircraft and light utility helicopters, as well as \$9.7 billion for tactical and support vehicles, communications, and other equipment.

Overseas Military Operations — For DoD military operations in Iraq and Afghanistan, the budget includes \$117.8 billion for 2012, \$41.5 billion (26 percent) less than 2011, and \$50 billion each year thereafter as placeholders to recognize future costs. The budget assumes no troops will remain in Iraq after December 2011 and it assumes the average troop level in Afghanistan through 2012 will remain at the 2011 level of just under 100,000. DoD maintains that this assumption has no bearing on the plan to begin drawing down forces in Afghanistan beginning in July. Consequently, the cost of overseas operations could ultimately be lower if troop reductions in Afghanistan materialize.

Atomic Energy Defense Activities

The budget proposes \$18.1 billion for the nuclear weapons-related activities of DoE and other agencies. This is 5.0 percent above the 2011 level and 1.5 percent above the 2011 request.

Nuclear Nonproliferation Programs — DOE administers several programs to stop the spread of nuclear materials to terrorist groups and nations that could pose a threat to the United States. The budget requests \$2.5 billion for these programs for 2012, which is a 19.3 percent increase above the 2011 level and a 5.1 percent decrease below the 2011 request. This decrease reflects the assumption that \$100 million of unspent funds can be carried forward from 2011 to 2012 to continue activities associated with the disposal of Russian weapons-grade plutonium.

Weapons Activities — This program maintains the safety and reliability of nuclear weapons in the absence of underground tests. The budget requests \$7.6 billion for weapons activities, which reflects an 8.9 percent increase above the 2011 level. The increase would fund programs that directly support the nuclear weapons stockpile, and reflect increased requirements stemming from new START Treaty.

Cleanup of Former Weapons Production Sites — The budget proposes \$5.4 billion for the accounts dedicated to environmental activities, primarily the cleanup of nuclear and other hazardous waste, at DOE's weapons production sites.

VETERANS

The President's budget proposes \$59.0 billion in appropriations for 2012 for America's 23 million veterans and their families. This request is \$1.6 billion (2.8 percent) more than the 2011 level of \$57.4 billion (excluding medical care collections). The Department of Veterans Affairs (VA) accounts for more than 99.5 percent of appropriated funding for veterans (\$58.8 billion for 2012).

Veterans' Health Care

The budget includes \$50.9 billion for medical care for 2012, which VA estimates is \$2.7 billion (5.6 percent) more than the 2011 level for medical services, facilities, and support and compliance. VA projects it will collect another \$3.1 billion in resources from third parties. The budget continues the enrollment expansion that the Administration started in 2009, which provides access to VA health care for veterans who previously were ineligible. VA estimates that, in 2012, it will provide care to more than 6.2 million patients, including nearly 537,000 veterans of the Iraq and Afghanistan wars. The budget also proposes \$52.5 billion in advance appropriations for medical care for 2013. Medical research resources decline to \$509 million, \$72 million (12.4 percent) below the 2011 level.

The budget includes the following veterans' health care initiatives for 2012:

- \$6.2 billion for veterans' mental health care – \$450 million more than the 2011 level – including \$68 million to prevent suicide;
- \$2.5 billion to support the rising demand and need for prosthetics;
- \$939 million to reduce homelessness among veterans, an increase of \$140 million (17.5 percent) above the 2011 level (in addition to some \$4 billion in health care); and
- \$208 million to implement recently-enacted benefits for veterans' caregivers.

Veterans' Benefits and VA Construction

Veterans Benefits Administration (VBA) — The budget requests \$2.0 billion, \$130 million (6.1 percent) less than the 2011 level but \$330 million (19.5 percent) above the 2010 level. VBA processes veterans' benefit claims. The disability claims workload from returning war veterans and other veterans alike is increasing each year. Claims receipts increased 51 percent from 2005 to 2010.

Paperless Claims Processing — The budget proposes \$148 million to continue VA's initiative to use information technology to increase the speed and accuracy of its processing of veterans' claims.

Construction — The budget would reduce new construction resources to \$1.3 billion, which is \$772 million (37.8 percent) below the 2011 level. The total includes nearly \$590 million for major projects, \$550 million for minor construction projects, and \$131 million for grants to states. Of the total funding, \$1.2 billion is related to veterans' health. The budget also requests \$126 million in new resources for construction at national and state cemeteries.

HOMELAND SECURITY

The homeland security budget spans 31 agencies, the largest of which are the Departments of Homeland Security (DHS), Defense (DoD), Health and Human Services, and Justice. The President's budget proposes a total of \$71.6 billion for homeland security activities for 2012, \$2.6 billion more than the 2011 level. These totals reflect mandatory and discretionary resources, including homeland security funding for DHS and State Department activities that are fee-funded. Net appropriations for domestic homeland security activities (a total that excludes all national defense and international affairs funding as well as fee-funded activities) for 2012 total \$38.7 billion. The 2012 domestic total reflects a \$0.3 billion (0.9 percent) increase above the 2011 level.

Homeland Security Funding

(in billions of dollars)

	<u>2011</u>	<u>2012</u>	<u>Increase</u>	<u>% Change</u>
Total Resources (Excl. Emergencies/Supps)	69.1	71.6	2.6	3.7
Mandatory Programs	2.9	3.0	0.1	3.2
Fee-Funded Discretionary Programs	5.5	6.8	1.2	22.3
Net Appropriated Programs:	60.7	61.9	1.2	2.1
<i>National Defense (Function 050)</i>	22.1	23.0	0.9	4.1
<i>International Affairs</i>	0.2	0.2	0.0	1.2
<i>Domestic Discretionary</i>	38.4	38.7	0.3	0.9

U.S. Customs and Border Protection — The budget requests \$10.4 billion for U.S. Customs and Border Protection (CBP), a 2.4 percent increase above the 2011 level. The increase supports additional personnel, including 300 new CBP officers and canine assets at new and expanded ports of entry. The budget also reflects a \$272 million decrease in the Border Security Fencing, Infrastructure, and Technology line item, accounting for the cancelation of the SBInet program and initiation of the new Southwest Border Technology program.

Aviation Security — The budget requests \$5.4 billion for aviation security, which is \$187 million (3.6 percent) above the 2011 level. The request includes the procurement and installation of 275 additional Advanced Imaging Technology (AIT) scanners at airports, requiring an additional 535 positions to install and operate them, bringing the total number of deployed AIT units to 1,275. The budget also includes 350 new positions to enhance passive passenger screening (by observation) at high-risk airports.

State and Local Programs — The budget proposes \$3.8 billion for DHS's State and Local programs, 4.9 percent below the 2011 level. That funding level includes \$670 million for Firefighter Assistance Grants, \$1.1 billion for the State Homeland Security Grant Program, \$920 million for the Urban Area Security initiative, \$350 million for the Emergency Management Performance Grant program, and \$300 million for port security grants.

INTERNATIONAL AFFAIRS

The President's budget proposes \$52.7 billion for U.S. diplomacy and foreign assistance for 2012, which is \$70 million (0.1 percent) more than the 2011 level of regular appropriations. Funding for the Department of State's (DOS) operations would total \$14.2 billion (\$404 million or 2.9 percent above the 2011 level), and the U.S. Agency for International Development's (USAID) operating budget would be \$1.7 billion (\$94 million or 5.7 percent above the 2011 level). The budget also proposes supplemental funding of \$8.7 billion for 2012 for Iraq, Afghanistan, and Pakistan, which is \$3.3 billion more than the level of supplemental appropriations the President has requested for 2011.

Global Health and Economic Assistance

Global Health and Child Survival — The budget proposes \$8.7 billion for international health assistance provided through DOS and USAID. This level is \$937 million (12.0 percent) more than the 2011 level. Most of this funding — an estimated \$7.1 billion — is for preventing and treating HIV/AIDS, tuberculosis, malaria, influenza, and other infectious diseases.

Development and Economic Assistance — For assistance to developing nations, the budget proposes \$2.9 billion, or \$398 million (15.8 percent) more than the 2011 level. The budget would reduce the Economic Support Fund to \$6.0 billion, which is \$375 million (5.9 percent) less than the 2011 level.

Food Aid — The budget proposes \$1.9 billion in global food aid through two Agriculture Department programs — Food for Peace and McGovern-Dole Food for Education — which is the same level as 2011.

National Security and Global Engagement

Iraq, Afghanistan, and Pakistan — The budget proposes a total of \$14.0 billion for diplomacy, economic assistance, law enforcement, and military aid for these nations. This total includes \$5.3 billion in regular appropriations and \$8.7 billion in supplemental appropriations.

Security Assistance — The budget proposes \$8.2 billion in U.S. aid to other countries for foreign military funding, narcotics control, law enforcement, peacekeeping operations, military training, nonproliferation, and counterinsurgency efforts. This level is \$428 million (4.9 percent) less than the 2011 level. The budget fully funds the U.S. commitment to Israel, providing nearly \$3.1 billion. It also includes \$1.3 billion in military assistance and \$250 million in economic support for Egypt.

Other Key Agencies and Programs — The budget proposes these funding levels:

- **U.S. Contributions to International Organizations:** \$3.5 billion, a reduction of \$268 million (7.0 percent) below than the 2011 level, for the United Nations and other organizations;
- **Peace Corps:** \$440 million — \$40 million (10.0 percent) more than the 2011 level; and
- **Millennium Challenge Corporation:** \$1.1 billion — \$20 million (1.8 percent) above 2011.

HEALTH CARE

The federal government has played a significant role in health care in the United States for decades. Medicare, Medicaid, and the Children's Health Insurance Program provide health care coverage to nearly 100 million senior citizens, persons with disabilities, and low-income children and families who otherwise would face significant difficulties obtaining coverage and services. The National Institutes of Health provide critical biomedical research leading to new ways to prevent, treat, and cure diseases. The Food and Drug Administration safeguards the nation's food supply and reviews new drugs and medical devices for safety and effectiveness. Other federal agencies perform a range of activities to support the goal of helping Americans live longer, healthier lives, such as: providing health care services for under-served populations, investing in health care workforce training, combating infectious diseases, ensuring workplace safety, and coordinating health information technology development to promote efficiency and reduce medical errors.

On March 23, 2010, the President signed into law the Affordable Care Act, a comprehensive set of reforms to address the related challenges of holding insurance companies accountable for their treatment of consumers, making affordable coverage available to all Americans, and reforming the health care delivery system to improve quality and reduce costs. The law provides security to families by protecting consumers from being denied coverage based on pre-existing conditions and having their coverage dropped by their insurer when they need it. It also makes coverage more affordable for individuals and small businesses and provides consumers with cost and quality information about doctors and hospitals. Finally, it includes important Medicare reforms to move toward a delivery system focused on quality, value, and coordination. The Congressional Budget Office (CBO) estimates that once fully phased in, the Affordable Care Act will extend coverage to 32 million people who would otherwise be uninsured. CBO also estimates that the health reform law will reduce the federal deficit by \$230 billion over the first ten years and by more than \$1 trillion in the following decade.

The President's 2012 budget invests in the nation's health by increasing funding for biomedical research and implementing the core elements of the Food Safety Modernization Act enacted into law earlier this year. The budget builds on the health reform law by including several initiatives to improve the integrity, efficiency, and accountability Medicare and Medicaid. The budget also proposes to extend current Medicare physician payment rates for ten years.

Integrity and Efficiency in Federal Health Programs

New Resources to Fight Fraud, Abuse, and Improper Payments — The budget proposes a \$270 million increase in discretionary funding for the Health Care Fraud and Abuse Control (HCFAC) program. This would bring total HCFAC funding for 2012 (including mandatory funding not contingent on annual appropriations) to \$1.9 billion, an 8.4 percent increase from the 2011 level. The additional funding would allow expansion of the Health Care Enforcement Action Team (HEAT), a joint effort by the Department of Health and Human Services and the Department of Justice. The HEAT turns up the heat on wrongdoers through real-time information-sharing to identify patterns of fraud, investigating and prosecuting individuals and organizations engaged in defrauding Medicare, and vigorously

enforcing monetary penalties and payment recoveries. The funding increase would also support sophisticated data analytics and other technological tools to prevent improper or fraudulent payments before they occur. Over the past three years, HCFAC has saved nearly seven dollars for every dollar spent.

New Program Integrity Authority for the Centers for Medicare and Medicaid Services (CMS) — The budget proposes a variety of legislative changes to expand CMS' authority to identify, prevent, and recover overpayments, saving a total of \$32.3 billion over ten years. Significant provisions include:

- **Limiting Medicaid provider taxes:** This provision would limit states' ability to tax providers to pay the state share of Medicaid, for savings of \$18.4 billion. This policy was recommended by the President's National Commission on Fiscal Responsibility and Reform.
- **Recouping Medicare Advantage erroneous payments:** The budget would recover erroneous payments from insurers participating in Medicare Advantage, for savings of \$6.2 billion. Medicare Advantage payments to insurers are adjusted to reflect the health risk profile of enrollees. This proposal would use validated data to recoup overpayments attributable to risk adjustment errors from all Medicare Advantage providers.
- **Tracking Medicaid drug prescription and utilization patterns:** The budget would require state Medicaid agencies to monitor prescription drug billing and utilization patterns that could indicate abuse, for savings of \$3.5 billion.
- **Medicaid third-party liability:** The budget would give states the ability to avoid costs for prenatal and preventive pediatric claims when third parties are responsible and to recover Medicaid expenditures from beneficiary liability settlements, for savings of \$1.6 billion.
- **Validate orders for certain products and services at high risk of fraud:** The budget would create a system to validate orders for certain high-risk products and services, such as durable medical equipment (DME) and home health care, prior to payment of claims to ensure that an eligible professional ordered the service. This proposal would save \$1.8 billion.

Other Medicaid Savings — The budget proposes to limit Medicaid payments for DME based on Medicare rates, saving \$6.4 billion over ten years. Medicare is in the process of implementing a competitive bidding program for DME, which is expected to save Medicare \$17 billion over ten years. The budget also proposes to rebase Medicaid Disproportionate Share Hospital allotments for 2021 to reflect the expected reduction in uncompensated care resulting from the Affordable Care Act, saving \$4.2 billion. The Affordable Care Act reduced DSH payments in 2014-2020 to reflect the reduction in uncompensated care due to insurance expansions, but allotments revert to pre-reform levels in 2021.

Improving the Quality of Medicare Quality Improvement Organizations (QIOs) — The budget proposes to save \$3.3 billion over ten years by improving the contracting process for Medicare QIOs. QIOs exist to help providers improve the quality of service and to assist beneficiaries by holding providers accountable for failures in the delivery of care.

Pharmaceutical Policy Changes — The budget proposes to promote faster development of generic biologics by reducing patent exclusivity for brand-name biologics from 12 to 7 years, saving

\$2.3 billion over ten years. The budget also proposes to prohibit brand and generic drug companies from entering into agreements to delay the availability of new generic drugs, a practice known as “pay for delay.” Under current law, brand-name companies sometimes pay generic companies to keep generic substitutes off the market. This anticompetitive practice raises costs for insurers and consumers. The budget would give the Federal Trade Commission the authority to prohibit these agreements, saving \$8.8 billion in federal health spending over ten years. Another \$1.8 billion in savings would come from streamlining Federal Employees Health Benefit Program pharmacy benefit contracting.

Medicare Physician Payments

The budget acknowledges that the current system for paying physicians in the Medicare program must be addressed to prevent unrealistically steep cuts in payment rates in succeeding years. The budget proposes extending current Medicare physician payment rates for ten years and to offset the full cost of doing so. The budget includes specific offsets sufficient to cover an extension for two years (through the end of calendar year 2013). These offsets, which are described in the preceding section, total \$62.2 billion over ten years.

Physician Payment Relief and Offsetting Savings in Billions of Dollars

(OMB estimates)

	2012-2016	2012-2021
Provide Physicians Relief from Scheduled SGR cuts for 10 years	\$144.4	\$369.9
Provide SGR Relief Through 2013	54.4	54.4
Offsets to Provide Relief Through 2013	-17.2	-62.2
<i>New CMS Program Integrity Authorities</i>	-9.1	-32.3
<i>Other Medicaid: DSH and DME</i>	-2.4	-10.6
<i>Medicare QIOs</i>	-0.9	-3.3
<i>Pharmaceuticals</i>	-4.4	-12.9
<i>Other and interactions</i>	-0.5	-3.2
Provide SGR Relief from 2014 Onward	90.0	315.4
Undetermined Offsets for Cost of SGR Relief from 2014 Onward	-90.0	-315.4

Extending current payment rates from 2014 through the end of the ten-year window would cost an additional \$315.4 billion. The budget assumes these additional costs will be paid for to avoid increasing the deficit, but it does not specify how. The budget essentially treats these costs as a budgetary placeholder rather than as a specific policy recommendation. The budget assumes that Congress and the Administration will work together to find the additional savings necessary to pay for

a substantive reform of the physician payment system that rewards quality and efficiency. The budget’s overall approach to Medicare physician payments is largely consistent with the recommendations of the National Commission on Fiscal Responsibility and Reform, which recognized that it will take several years to develop a better payment system. The Commission recommended extending current rates in the short term (with a one-percent reduction in 2014) and called on CMS to develop a new physician payment system by 2015 that would encourage care coordination and would pay physicians based on quality rather than quantity of services.

Current law requires a 28 percent cut in Medicare physician payment rates in 2012 and further cuts thereafter. The cuts are part of the Sustainable Growth Rate (SGR) formula, created in 1997 in an attempt to control Medicare physician services spending growth. Under the formula, if total spending exceeds certain targets, payment rates are cut for all physicians without regard to individual physicians’ practice patterns. The targets were originally designed to allow total spending to keep pace with inflation and enrollment growth. Spending has exceeded the targets for several years because the volume and intensity of services provided per patient has grown. Since 2003, Congress has enacted numerous short-term fixes to prevent the rate cuts from going into effect, but the short-term fixes made the cost of a long-term solution much steeper.

Public Health

The budget proposes increases in funding for several public health activities. The major increases include enhancing food safety efforts, expanding health services for American Indians and Alaska Natives, and biomedical research. The budget would reduce discretionary resources for the Centers for Disease Control and the Health Resources and Services Administration. Following are some highlights of the budget.

President’s 2012 Public Health Budget, in Billions of Dollars

(Discretionary Budget Authority Except Where Noted, OMB Estimates)

	2011 CR	2012
Food and Drug Administration (program level)	\$3.4	\$4.4
Health Resources and Services Administration	7.5	6.8
Indian Health Service	4.1	4.6
Centers for Disease Control and Prevention	6.5	5.9
National Institutes of Health (program level)	30.9	32.0
Substance Abuse and Mental Health Services	3.4	3.4
Agency for Healthcare Research and Quality (program level)	0.4	0.4

Food and Drug Administration (FDA) — The budget proposes a program level of \$4.4 billion for FDA, a \$1.0 billion increase (29.3 percent) from the 2011 level. The total funding level consists of an appropriation of \$2.7 billion, \$1.6 billion in existing user fees, and \$60 million in proposed new fees. About two-thirds of the total funding increase reflects activities funded by current-law user fees, such as tobacco regulation and prescription drug reviews. The budget also reflects the recent enactment of the FDA Food Safety Modernization Act, which gave FDA new authorities to prevent food safety problems. The FDA budget includes a total of \$1.4 billion for food safety activities, an increase of \$326 million from the 2011 level.

Health Resources and Services Administration (HRSA) — The budget proposes \$6.8 billion for the HRSA program level, which is \$672 million below the 2011 level. This funding level reflects the elimination of \$338 million for Congressionally directed local health projects that mostly supported construction, renovation, and equipment acquisition. Another \$318 million in savings comes from eliminating the Children’s Hospital Graduate Medical Education Program. The program provides subsidies to children’s hospitals for graduate medical education through a statutory formula. Given the forecast shortage of primary care providers and their critical role in a reformed health system, in the current constrained budget environment the Administration proposes to focus health workforce training funds on competitive programs supporting the training of more primary care providers. Health centers would receive a slight funding increase (\$76 million) in the President’s budget. This would bring total funding for health centers to \$3.2 billion, including \$1.2 billion of mandatory funding provided in the Affordable Care Act. This represents about a 50 percent increase from 2010. The budget also proposes a \$110 million increase for HIV/AIDS programs.

Indian Health Service — The budget proposes \$4.6 billion for IHS, an increase of \$571 million (14.1 percent) from the 2011 level. Most of the funding increase is for clinical services, including contract health services, to cover population growth and expand access to care. Contract health services would receive a \$169 million increase, which would fund an additional 5,700 inpatient admissions, 218,000 outpatient visits, and 8,000 patient travel trips. The Indian Health Service provides comprehensive health services for about 1.9 million American Indians and Alaska Natives.

Centers for Disease Control and Prevention (CDC) — The budget proposes \$5.9 billion in discretionary resources for CDC, which is \$581 million below the 2011 level. Within CDC, the budget consolidates and reorganizes activities to improve efficiency. A major reorganization involves chronic disease. The budget consolidates a variety of CDC programs in areas such as heart disease, cancer, nutrition, and school health activities into a new Chronic Disease Prevention and Health Promotion program. This program will support a coordinated approach to addressing common chronic diseases, which tend to share risk factors. Total funding for the program would be \$1.2 billion, about the same as the 2011 level for these activities. The budget proposes a reduction of \$115 million for CDC’s occupational safety program, primarily as a result of eliminating discretionary funding for World Trade Center activities that are now covered by mandatory funding under the James Zadroga 9/11 Health and Compensation Act. The budget also would reduce funding for state and local preparedness and response by \$110 million.

National Institutes of Health — The budget proposes a program level of \$32.0 billion for the National Institutes of Health, which is \$1.0 billion above the 2011 level. A key component of the budget

proposal is the creation of a new National Center for Advancing Translational Sciences, which aims to bridge the divide between basic science and therapeutic applications. The Center aims to build new partnerships to foster collaboration between the government and private industry, in order to speed up the development of treatments for common diseases. Other priorities going forward include building on recent discoveries regarding cancer genomes to pursue new ways to prevent, detect, and treat cancer; working with the private sector to move forward on finding ways to combat Alzheimer's disease; and autism research.

SAFETY NET

The President's budget includes several important proposals relating to the social safety net.

Programs for Children

Expand the Child Care and Development Fund (CCDF) — The CCDF includes both the Child Care Entitlement to States and an annually appropriated child care and development block grant. Both programs provide states with flexibility in developing child care programs and support activities that improve the availability, accessibility, and affordability of child care. The mandatory program is currently authorized through September 30, 2011. The budget proposes to extend the program with an increase in the program level, costing \$7.0 billion over the next ten years. The budget also proposes \$2.9 billion for the discretionary block grant for 2012, and increase of \$0.8 billion over the 2011 level. The budget lays out principles for a reauthorization proposal that would improve health and safety standards, promote future academic success, and focus on quality improvement.

Improve Foster Care — The budget proposes \$2.5 billion over ten years to promote improvements in the foster care system to prevent child abuse and neglect, and to keep more children safely in their homes and out of long-term foster care. The proposal would change financing rules to give states new incentives to improve outcomes for children, streamline administrative procedures, and allow states to test innovative strategies.

Child Support Fatherhood Initiative — The Fatherhood Initiative included in the budget is designed to ensure that more children have the financial and emotional support of both parents. Over ten years, the budget proposes \$2.8 billion to increase child support payments that reach families and to encourage states to promote fathers' involvement in their children's lives. The funding would also provide a temporary increase in incentive payments to promote performance and enforcement efforts.

Nutrition Assistance for Children and Families

Implements Healthy-Hunger Free Kids Act — The Act was designed to improve the dietary intake of the nation's children, reducing both hunger and obesity. The budget proposes to take important steps toward implementing the new law. Of particular note, the budget requests funds for the new school breakfast expansion grants and state childhood hunger challenge grants.

Expands Food Security through the Supplemental Nutrition Assistance Program (SNAP) — The SNAP program (formerly known as Food Stamps) is currently serving 45 million participants, an unprecedented level, and the need is expected to continue in 2012. The Recovery Act increased SNAP benefits and kept them at the increased level until the underlying statutory cost-of-living adjustment raised them above that level. Subsequent law shut off the benefit increase effective October 31, 2013. The budget proposes to shift the sunset date back to March 31, 2014, which was the sunset

date in effect before enactment of the Healthy, Hunger-Free Kids Act. The budget also proposes to temporarily extend for an additional year the Recovery Act provisions that suspended the time limits for certain working-age low-income adults to receive SNAP benefits.

Serves Eligible WIC Population — The budget proposes \$7.4 billion for the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The WIC program helps improve the health and nutrition of low-income pregnant, post-partum, and breastfeeding women, infants, and children under age five. The request would serve an average of 9.6 million monthly participants.

Housing Assistance

Housing Choice Voucher Program — The budget requests \$19.2 billion for the housing choice voucher program, which is the largest rental assistance program for low-income families. This is an increase of \$1.0 billion over the 2011 level. Funding at this level can serve 2.2 million families by renewing existing vouchers and issuing new incremental vouchers to homeless veterans, victims of natural disasters, and other vulnerable families.

Public Housing Operating and Capital Funds — The budget requests a total of \$6.4 billion, \$0.9 billion less than the 2011 level, to provide funds to locally controlled housing authorities to supplement tenant rents, maintain the buildings, and manage the programs. Over half of the families benefitting from this program are headed by someone who is elderly, disabled, or both.

Project-based Rental Assistance — Project-based rental assistance provides funding to privately owned multifamily rental housing projects. The budget requests an increase of \$0.9 billion for this program, to a total of \$9.4 billion. This level of funding could support 1.2 million low-income families, many of whom would face homelessness if assistance was not provided.

Home Investment Partnership Grants — The budget proposes to reduce funding for this block grant by \$175 million, to \$1.65 billion. The grant provides funding to increase the supply of affordable housing for low-income families. Although the Administration recognizes that the program has been effective, this reduction is proposed due to current fiscal constraints. In addition, the Affordable Housing Trust Fund, discussed below, is designed to serve a similar purpose and be more effectively targeted.

Affordable Housing Trust Fund — The budget requests \$1.0 billion to fund the Affordable Housing Trust Fund, which supports state and local efforts to develop and preserve affordable housing options. Projects funded through the trust fund aid extremely low-income families, including homeless families.

Homeless Assistance Grants — The budget proposes funding of \$2.4 billion for homeless assistance grants, an increase of \$0.5 billion relative to 2011. Most of these funds are distributed through a competitive process that allows local decision-making to drive federal funding. The program allows for coordination of housing and other services to provide a comprehensive response to homeless individuals and the facilities that serve them.

Social Security and Other Retirement

One-time Payments to Social Security Beneficiaries – Similar to the payment provided in the Recovery Act, the budget proposes a one-time, \$250 payment to Social Security beneficiaries in 2011. These beneficiaries did not receive a cost-of-living adjustment to their monthly benefits for a second consecutive year. The payments cost \$14.9 billion over two years (2011 and 2012).

Principles for Social Security Reform – The budget establishes six principles for Social Security reform in order to strengthen the program. Those principles as stated in the budget are:

- “Any reform should strengthen Social Security for future generations and restore long-term solvency.
- The Administration will oppose any measures that privatize or weaken the Social Security system.
- While all measures to strengthen solvency should be on the table, the Administration will not accept an approach that slashes benefits for future generations.
- No current beneficiaries should see their basic benefits reduced.
- Reform should strengthen retirement security for the most vulnerable, including low-income seniors.
- Reform should maintain robust disability and survivors’ benefits.”

Social Security Administration Administrative Expenses – Although there are hard choices throughout, the budget requests a \$1.0 billion increase for Social Security Administration’s administrative expenses so that it can continue to serve beneficiaries, take in new claims, improve upon disability hearing backlogs, and continue program integrity initiatives. Funding in this area provides support for the Social Security, Supplemental Security Income, and the Medicare programs.

Pension Benefit Guaranty Corporation (PBGC) – The PBGC serves as a backstop to protect pension payments for workers whose companies have failed. However, the PBGC’s pension insurance system is currently underfunded. The budget proposes to give the PBGC broader authority to establish premiums, and directs the PBGC to consider the financial health of the employer and the risks to its pensions as part of the premium calculation. The proposal is estimated to save \$16.1 billion over ten years. Both the Fiscal Commission appointed by the Administration and the Domenici-Rivlin Deficit Reduction Task Force recommended increasing PBGC premiums to close long-run deficits.

Other Proposals

Reduce Low-Income Home Energy Assistance (LIHEAP) – The budget proposes to reduce LIHEAP funding to \$2.6 billion, down from \$5.1 billion for 2011. This program helps struggling families pay for their heating and cooling needs. The budget acknowledges that this is a tough choice caused by the overall need to restore fiscal balance. The program has grown substantially in recent years and this reduction takes it back to the level before energy prices spiked. The Administration says it will monitor energy prices going forward and would consider revisiting this request if conditions warrant.

Increase Head Start Funds – The budget requests \$8.1 billion for Head Start, an increase of \$0.9 billion over the 2011 level, to continue providing school-readiness services to more than 967,000 low-income children.

Cut Community Services Block Grant – The budget would cut funding for the Community Services Block Grant in half, to \$350 million. The state block grant provides funds that Community Action Agencies use for a range of poverty reduction services, including education, housing aid, and food assistance.

Extend Trade Adjustment Assistance (TAA) – TAA provides benefits to workers whose jobs have been moved outside the United States. The program expired on February 12, 2011. The budget proposes to extend the program, including enhancements adopted in the Recovery Act.

Earned Income Tax Credit (EITC) – The budget proposes to permanently extend the Recovery Act expansions of the EITC, which benefits low-income working families with three or more children, at a cost of \$12.3 billion over ten years.

NATURAL RESOURCES AND ENVIRONMENT

The President's budget proposes \$33.9 billion for America's natural resources and environmental protection. The budget level is \$1.9 billion (5.4 percent) less than the 2011 level when comparing regular appropriations. The budget proposes increases for the oversight of offshore oil and gas drilling and for land and water conservation. Major decreases include funding to help states maintain clean water systems, and funds for local wastewater treatment projects and Great Lakes restoration.

Department of the Interior (DOI) — The budget proposes \$12.1 billion in appropriations for DOI for 2012 – virtually a freeze at the 2011 level. The budget focuses resources on increasing the oversight of offshore oil and gas drilling to support U.S. energy independence. The budget proposes these funding levels for key initiatives and ongoing programs:

- **Bureau of Ocean Energy Management, Regulation, and Enforcement:** Over \$500 million to restructure the former Minerals Management Service and focus on ensuring safe and effective oversight of the nation's oil and gas resources and drilling activities;
- **Land and Water Conservation Fund:** \$900 million (double the 2011 level), \$675 million of it through DOI and the remainder funded through the Agriculture Department;
- **New Energy Frontier:** \$73 million for this initiative to spur renewable energy development and responsible energy exploration on federal lands;
- **National Park Service:** \$2.9 billion (up \$148 million, or 5.3 percent);
- **Bureau of Indian Affairs:** \$2.5 billion (down \$119 million, or 4.5 percent);
- **Fish and Wildlife Service:** \$1.7 billion (up \$48 million, or 2.9 percent);
- **Geological Survey:** \$1.1 billion (up \$6 million, or 0.5 percent); and
- **Bureau of Land Management:** \$1.1 billion (down \$12 million, or 1.1 percent).

Environmental Protection Agency (EPA) — The budget requests \$9.0 billion for EPA, a decrease of \$1.3 billion (12.8 percent). The budget proposes \$1.2 billion for grants to assist states and tribes with their environmental efforts, which is \$85 million (7.6 percent) more than the 2011 level. The budget would decrease two revolving funds for states to maintain clean, drinkable water by a total of \$947 million (27.2 percent). In addition, the budget reduces funding for restoring Great Lakes ecosystems to \$350 million, which is \$125 million (26.3 percent) less than the 2011 level.

National Oceanic and Atmospheric Administration (NOAA) — The budget proposes \$5.5 billion for the Commerce Department's weather forecasting, climate monitoring, fisheries management, and ocean activities through NOAA. This level is \$749 million (15.8 percent) more than the 2011 level.

Forest Service — The budget proposes \$5.1 billion for the Agriculture Department's forest management activities, which is \$179 million (3.4 percent) less than the 2011 level. The budget is based on the goal of merging multiple programs and improving forest management efficiency.

Army Corps of Engineers — For Corps projects, the budget provides \$4.6 billion, which is \$0.9 billion (16.0 percent) less than the 2011 level. The budget eliminates all Corps funding of local water and wastewater treatment.

ADDITIONAL NOTABLE PROPOSALS

Federal Employees

Federal Pay – In 2011, the President proposed and the Congress enacted a two-year pay freeze for all civilian federal workers, including civilian workers in the Department of Defense. This federal employee pay freeze will save \$60 billion over ten years. The Administration's 2012 budget proposes a 1.6 percent pay raise for members of the military, as well as a variety of monthly special skill-based payments, enlistment and reenlistment bonuses, and other benefits.

Federal Employee Health Benefit Program (FEHB) – The budget proposes that the Office of Personnel Management be given authority to streamline pharmacy benefit contracting within the FEHB program and leverage enrollees' purchasing power to reduce costs and obtain greater value for enrollees. This proposal saves \$1.8 billion over ten years.

Local Law Enforcement

Community Oriented Policing Services – The budget proposes \$670 million for Community Oriented Policing Services (COPS) grants, a \$122 million decrease from the 2011 level. Of the request, \$600 million is for the hiring of career law enforcement officers. The request will fund approximately 4,500 officers.

Byrne Memorial Justice Assistance Grant (JAG) Program – The budget requests \$519 million for the Byrne Memorial Justice Assistance Grant Program, a \$36 million decrease from the 2011 level. Byrne-JAG supports almost all aspects of the local criminal justice system, including training and equipping law enforcement officers and funding drug task forces.

Other Proposals

U.S. Postal Service – The President's budget proposal would return about \$6.9 billion in Federal Employee Retirement System overpayments to the Postal Service over 30 years, including \$550 million in fiscal year 2011. The Postal Service also would receive short-term relief from a 2006 requirement to prefund its retiree health benefits at about \$5 billion annually, and instead pay less in 2011 and make up the difference in future years. The budget proposal also adjusts the size of those annual payments based on the size of the current workforce, which has shrunk to about 583,000 full-time employees since the law passed in 2006.

Community Development Block Grants (CDBG) – The CDBG program helps local governments fund housing, sewers and streets, and economic development in low- and moderate-income neighborhoods. The President's budget would provide \$3.7 billion for the CDBG formula grant program, which is \$299 million (7.5 percent) below the 2011 level. In recent years, Congress has generally provided more than the President requested for the CDBG fund. In the 2011 Continuing Resolution passed by the House on February 19, however, Republicans cut the total CDBG fund by \$3.1 billion below the 2011 level, or \$2.4 billion below the President's 2012 request.

APPENDIX – OMB TABLES

Table S-4. Proposed Budget by Category

Table S-11. Funding Levels for Appropriated (“Discretionary”) Programs by Agency

Table S-13. Economic Assumptions

Discretionary Terminations, Reductions, and Other Savings

Mandatory Terminations, Reductions, and Other Savings

Administratively Implemented Savings

Program Integrity Savings

Table S-4. Proposed Budget by Category

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
													2012- 2016	2012- 2021
Outlays:														
Appropriated ("discretionary") programs:														
Security	815	908	884	819	808	818	829	845	863	880	897	914	4,158	8,559
Non-security	491	507	456	423	412	402	408	413	426	434	449	453	2,101	4,275
Subtotal, appropriated programs	1,306	1,416	1,340	1,243	1,220	1,220	1,237	1,258	1,289	1,314	1,346	1,367	6,259	12,833
Mandatory programs:														
Social Security	701	742	761	802	846	894	945	1,002	1,062	1,126	1,196	1,269	4,248	9,902
Medicare	446	488	485	528	557	582	631	650	672	732	785	840	2,783	6,462
Medicaid	273	276	269	288	352	391	427	457	488	522	557	595	1,727	4,345
Troubled Asset Relief Program (TARP) ¹	-110	-28	13	10	5	4	2	1	*	*	*	*	.....	34
Other mandatory programs	644	716	612	573	570	596	654	665	671	709	736	771	3,004	6,557
Subtotal, mandatory programs	1,954	2,194	2,140	2,199	2,331	2,467	2,659	2,774	2,892	3,090	3,273	3,475	11,797	27,302
Net interest	196	207	242	321	418	494	562	627	685	741	793	844	2,037	5,726
Disaster costs ² .....	.....	2	6	8	8	9	10	10	10	10	10	10	42	92
Total outlays	3,456	3,819	3,729	3,771	3,977	4,190	4,468	4,669	4,876	5,154	5,422	5,697	20,134	45,952
Receipts:														
Individual income taxes	899	956	1,141	1,344	1,508	1,648	1,786	1,923	2,056	2,187	2,315	2,439	7,427	18,346
Corporation income taxes	191	198	329	405	440	455	467	479	479	482	495	512	2,096	4,544
Social insurance and retirement receipts:														
Social Security payroll taxes	632	559	659	730	772	815	870	915	963	1,014	1,056	1,109	3,845	8,901
Medicare payroll taxes	180	187	201	217	235	250	268	282	297	313	326	343	1,171	2,733
Unemployment insurance	45	52	57	61	79	89	88	87	83	73	72	75	375	765
Other retirement	8	8	8	8	8	9	9	9	9	9	10	10	42	89
Excise taxes	67	74	103	121	138	145	149	155	164	176	182	189	656	1,522
Estate and gift taxes	19	12	14	15	25	28	30	32	35	37	40	43	111	299
Customs duties	25	28	30	33	36	38	39	41	44	47	49	52	176	408
Deposits of earnings, Federal Reserve System	76	80	66	47	38	37	41	45	47	49	52	53	230	476
Other miscellaneous receipts	21	19	20	21	53	69	73	75	79	85	91	97	237	663
Total receipts	2,163	2,174	2,627	3,003	3,333	3,583	3,819	4,042	4,257	4,473	4,686	4,923	16,366	38,747
Deficit	1,293	1,645	1,101	768	645	607	649	627	619	681	735	774	3,769	7,205
Net interest	196	207	242	321	418	494	562	627	685	741	793	844	2,037	5,726
Primary deficit/surplus (-)	1,097	1,438	860	447	227	112	87	-*	-66	-59	-58	-70	1,732	1,479

Table S-4. Proposed Budget by Category—Continued

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals	
													2012-2016	2012-2021
On-budget deficit	1,370	1,703	1,177	848	730	697	753	729	723	784	823	852	4,205	8,115
Off-budget surplus (-)	-77	-58	-76	-81	-86	-90	-104	-102	-104	-102	-87	-78	-437	-910
Memorandum, budget authority for appropriated programs:														
Security	856	879	846	791	811	828	846	861	878	894	911	929	4,122	8,595
Non-security	402	401	397	397	397	397	406	415	427	438	454	457	1,993	4,182
Total, appropriated funding	1,258	1,280	1,243	1,188	1,208	1,225	1,252	1,276	1,304	1,332	1,365	1,385	6,115	12,777

* \$500 million or less.

¹ Outlays for TARP in 2011 and subsequent years result from obligations incurred through October 3, 2010 for the Home Affordable Modification Program and other TARP programs.

² These amounts represent a placeholder for major disasters requiring Federal assistance for relief and reconstruction. Such assistance might be provided in the form of discretionary or mandatory outlays or tax relief. These amounts are included as outlays for convenience.

Table S-11. Funding Levels for Appropriated (“Discretionary”) Programs by Agency—Continued

(Budget authority in billions of dollars)

	Outyears										Totals			
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
Actual Request	Request	Request	Request	Request	Request	Request	Request	Request	Request	Request	Request	Request	Request	Request
Overseas Contingency Operations⁶	167.3	164.7	126.5	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	326.5	576.5
Defense	162.3	159.1	117.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	117.6	117.6
Homeland Security	0.2	0.3	0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.3	0.3
Justice	0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
State and Other International Programs	4.7	5.4	8.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	8.7	8.7
Overseas Contingency Operations Outyears	.....	.....	.....	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	200.0	450.0
Other Supplemental or Emergency Funding	8.3	.....	-*	.....	.....	.....	.....	.....	.....	.....	.....	.....	-*	-*
Agriculture	0.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Defense	-1.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Education	-0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Health and Human Services	0.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Homeland Security	5.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Justice	0.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
State and Other International Programs	2.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Corps of Engineers	0.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Small Business Administration	1.0	.....	-*	.....	.....	.....	.....	.....	.....	.....	.....	.....	-*	-*
Other Agencies	0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
American Recovery and Reinvestment Act of 2009 (P.L. 111-5)	-2.4	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Commerce	-0.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Defense	-0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Energy	-1.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other Agencies	-0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Grand Total, Discretionary Budget Authority	1,257.6	1,279.9	1,242.7	1,188.0	1,208.0	1,224.9	1,251.6	1,276.1	1,304.3	1,331.8	1,364.9	1,385.2	6,115.1	12,777.5

Memorandum: 2012 Budget 5-Year Defense Request versus 2011 Future Years Defense Plan (FYDP)⁷

2011 Defense FYDP n/a 549.1 566.4 581.8 597.8 616.0 635.1 n/a n/a n/a n/a n/a n/a 2,997.0 n/a

Savings resulting from 2012 Budget policy ... n/a -13.3 -11.1 -11.4 -17.9 -24.5 n/a n/a n/a n/a n/a -78.2 n/a

*\$50 million or less.

¹The Department of Defense (DOD) levels in 2013-2021 include funding that will be allocated, in annual increments, to the National Nuclear Security Administration (NNSA) due to the close link between DOD and NNSA in determining nuclear weapons-related requirements and missions. The amounts by which DOD's budget authority will decrease and NNSA's will increase are, in millions of dollars: 2013: 439; 2014: 553; 2015: 586; 2016: 638; 2012-2016: 2,216; 2012-2021: 5,582.

²The Homeland Security level includes a -\$3.0 billion transfer in 2010 of BioShield balances to Health and Human Services.

³The Veterans Affairs total is net of medical care collections.

⁴The Security category for State and Other International Programs is comprised entirely of International Function 150. This includes funding for International Food Aid programs in the Department of Agriculture.

⁵Funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for administrative expenses incurred by the Social Security Administration that support the Medicare program are included in the Health and Human Services total and not in the Social Security Administration total. Additionally, the Health and Human Services total includes \$3.0 billion in 2010 for transfer of the BioShield program in Homeland Security.

⁶The Budget includes placeholder estimates of \$50 billion per year for Overseas Contingency Operations in 2013 and beyond. These estimates do not reflect any specific policy decisions.

⁷This compares the 2012 Request for Defense from 2012-2016 to the Department's 2011 FYDP, which does not extend beyond 2016.

Table S-13. Economic Assumptions

	Projections												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
2009 Actual													
Gross Domestic Product (GDP):													
Nominal level, billions of dollars	14,119	15,240	16,032	17,006	18,043	19,052	20,037	20,986	21,910	22,866	23,860	24,896	
Nominal GDP percent change, year/year	-1.7	3.8	4.0	5.2	6.1	6.1	5.6	4.7	4.4	4.4	4.3	4.3	
Real GDP, percent change, year/year	-2.6	2.7	3.6	4.4	4.3	3.8	3.3	2.9	2.6	2.5	2.5	2.5	
Real GDP, percent change, Q4/Q4	0.2	2.5	3.1	4.0	4.2	3.6	3.2	2.7	2.5	2.5	2.5	2.5	
GDP chained price index, percent change, year/year	0.9	1.0	1.3	1.5	1.6	1.7	1.8	1.8	1.8	1.8	1.8	1.8	
Consumer Price Index, percent change, year/year ¹	-0.3	1.6	1.3	1.8	1.9	2.0	2.1	2.1	2.1	2.1	2.1	2.1	
Unemployment rate, civilian, percent ²	9.3	9.6	9.3	8.6	7.5	6.6	5.5	5.3	5.3	5.3	5.3	5.3	
Interest rates, percent:													
91-day Treasury bills ³	0.2	0.1	0.2	1.0	2.6	3.7	4.1	4.1	4.1	4.1	4.1	4.1	
10-year Treasury notes	3.3	3.2	3.0	3.6	4.2	4.6	5.0	5.2	5.3	5.3	5.3	5.3	

Note: Based on information available as of mid-November 2010, prior to the enactment of the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. A more detailed table of economic assumptions is in Chapter 2, "Economic Assumptions," in the Analytical Perspectives volume of the Budget, Table 2-1.

¹ Seasonally adjusted CPI for all urban consumers.

² Annual average.

³ Average rate, secondary market (bank discount basis).

DISCRETIONARY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS

(Budget authority in millions of dollars)

Terminations	2010	2012	2012 Change from 2010
Adolescent Family Life Program, Department of Health and Human Services	17	.....	-17
Agricultural, Forestry, and Fishing Program, Department of Health and Human Services	23	.....	-23
B.J. Stupak Olympic Scholarship, Department of Education	1	.....	-1
Brownfields Economic Development Initiative, Department of Housing and Urban Development	18	.....	-18
Bureau of Labor Statistics - International Labor Comparison Program, Department of Labor	2	.....	-2
Byrd Honors Scholarships, Department of Education	42	.....	-42
C-17 Transport Aircraft Production, Department of Defense	2,500	.....	-2,500
Career Pathways Innovation Fund, Department of Labor	125	.....	-125
Center for Excellence for Veterans Student Success, Department of Education	6	.....	-6
Children and Families Services' Job Demonstration Program, Department of Health and Human Services	3	.....	-3
Children's Hospital Graduate Medical Education Payment Program, Department of Health and Human Services	318	.....	-318
Christopher Columbus Fellowship Foundation	1	.....	-1
College Textbook Rental Pilot Initiative, Department of Education	10	.....	-10
Deep Underground Science and Engineering Laboratory, National Science Foundation	36	.....	-36
Delta Health Initiative, Department of Health and Human Services	35	.....	-35
Denali Commission, Department of Health and Human Services	10	.....	-10
Diesel Emissions Reduction Grant Program, Environmental Protection Agency	60	.....	-60
Economic Action Program, Department of Agriculture	5	.....	-5
Education Research Centers, Department of Health and Human Services	25	.....	-25
Election Reform Grants, Election Assistance Commission	75	.....	-75
Emergency Operations Center Grant Program, Department of Homeland Security	60	.....	-60
EP-X Manned Airborne Intelligence, Surveillance, and Reconnaissance Aircraft, Department of Defense	12	.....	-12
Erma Byrd Scholarship Program, Department of Education	2	.....	-2
Expeditionary Fighting Vehicle, Department of Defense	293	.....	-293
Farm Service Agency Loan Programs - Direct Conservation Loans, Department of Agriculture	1	.....	-1
Farm Service Agency Loan Programs - Guaranteed Farm Operating Subsidized Loans, Department of Agriculture	24	.....	-24
Forest Resources Information and Analysis, Department of Agriculture	5	.....	-5
Graduate STEM Fellows in K-12 Education, National Science Foundation	54	27	-27
Harry S. Truman Scholarship Foundation	1	.....	-1
Health Care Facilities and Construction, Department of Health and Human Services	337	.....	-337
Health Care Services Grant Program, Department of Agriculture	3	.....	-3
Health Workforce Activities Including Allied Health and Other Disciplines, Department of Health and Human Services	2	.....	-2
Healthy Communities, Department of Health and Human Services	23	.....	-23
High Energy Cost Grants, Department of Agriculture	18	.....	-18
Historic Whaling and Trading Partners, Department of Education	9	.....	-9
Inter-City Bus Security Grant Program, Department of Homeland Security	12	.....	-12
International Forestry, Department of Agriculture	10	.....	-10
Joint Strike Fighter Alternate Engine, Department of Defense	465	.....	-465
LANSCE Refurbishment, Department of Energy	20	.....	-20
Legal Assistance Loan Repayment, Department of Education	5	.....	-5
Leveraging Educational Assistance Partnerships Program, Department of Education	64	.....	-64
Local Government Climate Change Grants, Environmental Protection Agency	10	.....	-10
Management of National Forest Lands for Subsistence Uses, Department of Agriculture	3	.....	-3
Mobile Enforcement Team, Department of Justice	31	.....	-31
Multifamily Housing and Community Facilities Loan Guarantees, Department of Agriculture	8	.....	-8
Multifamily Housing Revitalization Demonstration Program, Department of Agriculture	27	.....	-27
National Biological Information Infrastructure, Department of the Interior	7	.....	-7
National STEM Distributed Learning (Digital Library), National Science Foundation	16	.....	-16
National Wildlife Refuge Fund, Department of the Interior	15	.....	-15
Non-Line of Sight Launch System, Department of Defense	92	.....	-92
Off-Campus Community Service, Department of Education	1	.....	-1
Park Partnership Project Grants, Department of the Interior	5	.....	-5
Patient Navigators, Department of Health and Human Services	5	.....	-5
Preventive Health and Health Services Block Grant, Department of Health and Human Services	100	.....	-100
Public Broadcasting Grants, Department of Agriculture	5	.....	-5

DISCRETIONARY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS—Continued

(Budget authority in millions of dollars)

Terminations	2010	2012	2012 Change from 2010
Public Telecommunications Facilities Grants, Department of Commerce	20	.....	-20
Racial and Ethnic Approaches to Community Health, Department of Health and Human Services	39	.....	-39
Research Initiation Grants to Broaden Participation in Biology, National Science Foundation	2	.....	-2
Resource Conservation and Development, Department of Agriculture	51	.....	-51
Revenue Forgone from Reduced Rate Mail, Postal Service	29	.....	-29
Rural Access to Emergency Devices, Department of Health and Human Services	3	.....	-3
Rural Community Facilities, Department of Health and Human Services	10	.....	-10
Rural Fire Assistance, Department of the Interior	7	.....	-7
Rural Housing Service -- Small Loan and Grant Programs, Department of Agriculture	61	.....	-61
Save America's Treasures and Preserve America, Department of the Interior	30	.....	-30
Self-Help and Assisted Homeownership Opportunity Program (SHOP), Department of Housing and Urban Development	27	.....	-27
SM-2 Block IIIB Missile, Department of Defense	98	.....	-98
State Health Access Grants, Department of Health and Human Services	74	.....	-74
Surface Launched Advanced Medium Range Air-to-Air Missile Program, Department of Defense	56	19	-37
Synchrotron Radiation Center, National Science Foundation	3	.....	-3
Targeted Airshed Grants, Environmental Protection Agency	20	.....	-20
Targeted Water Infrastructure Grants, Environmental Protection Agency	157	.....	-157
Trade Adjustment Assistance for Firms, Department of Commerce	16	.....	-16
Training for Realtime Writers, Department of Education	1	.....	-1
Transitional Jobs Demonstration, Department of Labor	45	.....	-45
Underground Railroad Educational and Culture, Department of Education	2	.....	-2
University Community Fund, Department of Housing and Urban Development	25	.....	-25
Valles Caldera, Department of Agriculture	4	.....	-4
Vocational Rehabilitation Recreational Program, Department of Education	2	.....	-2
Voting Access for Individuals with Disabilities, Department of Health and Human Services	17	.....	-17
Water and Wastewater Treatment, Corps of Engineers	129	.....	-129
Water Resources Research Act Program, Department of the Interior	7	.....	-7
Watershed and Flood Prevention Program, Department of Agriculture	30	.....	-30
Watershed Rehabilitation Program, Department of Agriculture	40	.....	-40
Women's Education Equity, Department of Education	2	.....	-2
Total, Discretionary Terminations	6,064	46	-6,018
Reductions			
Administrative Efficiency Initiative, Government-wide .....	.....	-2,123	-2,123
Advance Practice Centers, Department of Health and Human Services	5	.....	-5
Agricultural Research Service Buildings and Facilities, Department of Agriculture	71	-224	-295
Alaska Conveyance Program, Department of the Interior	34	17	-17
Anthrax Vaccine Research, Department of Health and Human Services	3	.....	-3
Assistance for Europe, Eurasia, and Central Asia, Department of State and Other International Programs	742	627	-115
Asthma, Childhood Lead, and Healthy Homes, Department of Health and Human Services	66	33	-33
Baldrige Performance Excellence Program, Department of Commerce	10	8	-2
Bureau of Indian Affairs Real Estate Services, Department of the Interior	152	125	-27
Buyout of Farm Service Agency Positions, Department of Agriculture .....	.....	-27	-27
Career and Technical Educational and Tech Prep Education State Grants, Department of Education	1,264	1,000	-264
Centers for Public Health Preparedness, Department of Health and Human Services	30	.....	-30
Clean Water and Drinking Water State Revolving Funds, Environmental Protection Agency	3,487	2,540	-947
Community Development Block Grant, Department of Housing and Urban Development	3,983	3,684	-299
Community Economic Development Program, Department of Health and Human Services	36	20	-16
Community Facilities Select Grant and Set Asides, Department of Agriculture	45	38	-7
Community Services Block Grant, Department of Health and Human Services	700	350	-350
Development Disabilities Projects of National Significance, Department of Health and Human Services	14	8	-6
Electronic Records Archives, National Archives and Records Administration	86	49	-37
Emergency Steel Guaranteed Loan Program, Department of Commerce .....	.....	-43	-43
EPA Homeland Security Activities, Environmental Protection Agency	154	104	-50
Forest and Rangeland Research, Department of Agriculture	344	325	-19
Forest Service Capital Improvement and Maintenance, Department of Agriculture	457	341	-116

DISCRETIONARY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS—Continued

(Budget authority in millions of dollars)

Reductions	2010	2012	2012 Change from 2010
Fossil Energy Research and Development, Department of Energy	672	453	-219
Grants and Administration, National Endowment for the Arts	168	146	-22
Grants and Administration, National Endowment for the Humanities	168	146	-22
Grants-in-Aid for Airports, Department of Transportation	3,515	2,424	-1,091
Great Lakes Restoration Initiative, Environmental Protection Agency	475	350	-125
Hospital Preparedness Program, Department of Health and Human Services	426	380	-46
HOME Investment Partnerships Program, Department of Housing and Urban Development	1,825	1,650	-175
Housing for Persons with Disabilities, Department of Housing and Urban Development	300	196	-104
Housing for the Elderly, Department of Housing and Urban Development	825	757	-68
In-House Research Programs, Department of Agriculture	1,180	1,138	-42
Indian Guaranteed Loan Program, Department of the Interior	8	3	-5
Integrated Wireless Network, Department of Justice	206	103	-103
James Webb Space Telescope, National Aeronautics and Space Administration	439	375	-64
Job Corps, Department of Labor	1,708	1,700	-8
Low Income Home Energy Assistance Program, Department of Health and Human Services	5,100	2,570	-2,530
Low-Priority Construction Projects, Corps of Engineers	317	.....	-317
Maternal and Child Health Special Projects of National Significance	92	75	-17
McGovern-Dole Program, Department of Agriculture	210	201	-9
Mentoring Children of Prisoners, Department of Health and Human Services	49	25	-24
National Capital Arts and Cultural Affairs Grant Program, Commission of Fine Arts	10	5	-5
National Drug Intelligence Center, Department of Justice	44	25	-19
National Heritage Areas, Department of the Interior	18	9	-9
National Historical Publications and Records Commission, National Archives and Records Administration	10	5	-5
Nonpoint Source Grants, Environmental Protection Agency	201	165	-36
Office of Education, National Aeronautics and Space Administration	184	138	-46
Office of Historical Trust Accounting, Department of the Interior	47	31	-16
Other State and Local Preparedness, Department of Health and Human Services	11	8	-3
Pest and Disease Programs, Department of Agriculture	912	837	-75
Public Health Emergency Preparedness Cooperative Agreements, Department of Health and Human Services	715	643	-72
Reintegration of Ex-Offenders, Department of Labor	108	90	-18
Rural Hospital Flexibility Grant Programs, Department of Health and Human Services	41	26	-15
Science of Learning Centers, National Science Foundation	26	20	-6
Senior Community Service Employment Program, Department of Health and Human Services	825	450	-375
Single Family Housing Direct Loans and Housing Repair Grants, Department of Agriculture	72	22	-50
State Criminal Alien Assistance Program, Department of Justice	330	136	-194
Non-Critical Functions in the U.S. Census Bureau, Department of Commerce	11	.....	-11
Wildland Fire Management, Department of Agriculture	156	100	-56
Wildland Fire Program/Hazardous Fuels Reduction, Department of the Interior	206	157	-49
Workforce Investment Act - Governor's Reserve, Department of Labor	443	203	-240
Total, Discretionary Reductions	33,736	22,614	-11,122
Other Savings			
ESEA Consolidations, Department of Education .....	.....	.....	.....
Higher Education Program Consolidations, Department of Education .....	.....	.....	.....
Javits Fellowships Consolidation, Department of Education .....	.....	.....	.....
Pell Grant Protection Act - End Year Round Pell .....	.....	-7,617	-7,617
Rehabilitation Act Program Consolidations, Department of Education .....	.....	.....	.....
U.S. Currency Paper Supply, Department of the Treasury .....	.....	.....	.....
Total, Discretionary Terminations, Reductions, and Other Savings	39,800	15,043	-24,757

MANDATORY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS

(Outlays and receipts in millions of dollars)

Terminations	2012	2013	2014	2015	2016	2012-2016	2012-2021
Coal Company Tax Preferences, Department of Energy							
Expensing of Exploration and Development Costs	-27	-45	-47	-49	-51	-219	-447
Percent Depletion for Hard Mineral Fossil Fuels	-78	-129	-129	-130	-135	-601	-1,353
Royalty Taxation	-11	-13	-22	-31	-38	-115	-369
Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels	-20	-35	-38	-39	-41	-173	-410
Commodity Storage Payments, Department of Agriculture	-1	.....	.....	.....	.....	-1	-1
Geothermal Payments to Counties, Department of the Interior	-7	-7	-7	-7	-7	-35	-74
Oil and Gas Company Tax Preferences							
Repeal Enhanced Oil Recovery Credit, Department of Energy .....	.....	.....	.....	.....	.....	.....	.....
Repeal Credit For Oil and Gas Produced From Marginal Wells, Department of Energy .....	.....	.....	.....	.....	.....	.....	.....
Repeal Expensing of Intangible Drilling Costs, Department of Energy	-1,875	-2,512	-1,762	-1,403	-1,331	-8,883	-12,447
Repeal Deduction For Tertiary Injectants, Department of Energy	-6	-10	-10	-10	-10	-46	-92
Repeal Exception to Passive Loss Limitations For Working Interests In Oil and Natural Gas Properties, Department of Energy	-23	-27	-24	-22	-21	-117	-203
Repeal Percentage Depletion for Oil and Natural Gas Wells, Department of Energy	-607	-1,038	-1,079	-1,111	-1,142	-4,977	-11,202
Repeal Domestic Manufacturing Tax Deduction for Oil and Natural Gas Companies, Department of Energy	-902	-1,558	-1,653	-1,749	-1,842	-7,704	-18,260
Increase Geological and Geophysical Amortization Period for Independent Producers to Seven Years, Department of Energy	-59	-215	-330	-306	-230	-1,140	-1,408
Oil and Gas Research and Development Program, Department of Energy	-20	-40	-50	-30	-10	-150	-150
Telecommunications Development Fund, Federal Communications Commission	-7	-7	-7	-7	-7	-35	-70
Unrestricted Abandoned Mine Lands Payments, Department of the Interior	-138	-186	-180	-104	-79	-687	-1,230
Total, Mandatory Terminations	-3,781	-5,822	-5,338	-4,998	-4,944	-24,883	-47,716
Reductions							
Commodity Payments to Wealthy Farmers, Department of Agriculture .....	.....	-228	-261	-312	-315	-1,116	-2,511
Crop Insurance - Reimbursement on Catastrophic Premium, Department of Agriculture	-161	-166	-176	-179	-180	-862	-1,782
Health Care (Medicaid Proposals), Department of Health and Human Services	-210	-420	-470	-550	-700	-2,350	-10,570
Health Care (Medicare Proposals), Department of Health and Human Services	-30	-70	-150	-280	-350	-880	-6,490
Health Care (Pharmaceutical Proposals), Department of Health and Human Services	-609	-728	-827	-1,000	-1,271	-4,435	-12,897
Shift future Uniformed Services Family Health Plan Enrollees into TRICARE-For-Life/Medicare, Department of Defense	-1	-4	-12	-4	-13	-34	-279
Uniform Criteria for Special Monthly Pension, Department of Veterans Affairs	-6	-10	-13	-16	-20	-65	-216
Total, Mandatory Reductions	-1,017	-1,626	-1,909	-2,341	-2,849	-9,742	-34,745
Other Savings							
FECA Reform, Department of Labor	-10	-13	-5	-7	-17	-52	-283
Pell Grant Protection Act - End In-School Interest Subsidy for Stafford Loans for Graduate Students, Department of Education	-984	-3,200	-3,039	-3,019	-3,022	-13,264	-29,281
Pell Grant Protection Act - End Year Round Pell, Department of Education	-535	-604	-711	-840	-995	-3,685	-10,243
Total, Other Savings	-1,529	-3,817	-3,755	-3,866	-4,034	-17,001	-39,807
Total, Mandatory Terminations, Reductions, and Other Savings	-6,327	-11,265	-11,002	-11,205	-11,827	-51,626	-122,268

ADMINISTRATIVELY IMPLEMENTED SAVINGS

(In millions of dollars)

	2011	2012	2011-2015
Department of Agriculture			
Stop the Express Delivery of Empty Containers	-0.150	-0.350	-1.050
Department of Health and Human Services			
Expand the Use of Electronic Platforms to Conduct Research Grant Review Meetings	-11.000	-12.000	-62.000
Reduce Travel Costs and Support Telework Participation	-3.310	-3.450	-16.550
Department of Homeland Security			
Post Public Notice for Seized Property Online, Not in Newspapers	0.000	-1.000	-5.000
Department of Housing and Urban Development			
Lighting Efficiencies	-0.187	-0.748	-3.100
Department of Labor			
Electronic Reporting at the Mine Safety and Health Administration and Bureau of Labor Statistics	-0.024	-0.037	-0.302
Department of State and other International Programs			
Limit Printing/Copying and Procure Multi-Function Devices	-1.000	-2.800	-13.400
Paint Roofs of Embassies White	-1.100	-1.100	-5.300
Department of the Treasury			
Increase Paperless Transactions	-43.000	-87.000	-524.000
Information Technology Consolidation	0.000	-3.000	-96.000
Environmental Protection Agency			
Bundling Maintenance Agreements for Capital Equipment	0.000	*	*
Electronic Emissions Reporting	0.000	*	*
Reduce Travel Costs Through Video-Conferencing	0.000	-4.000	-25.000
National Aeronautics and Space Administration			
Green Initiative	0.000	-1.000	-10.000
National Science Foundation			
Virtual Desktop Computing Environment	-0.218	-0.435	-1.958
National Archives and Records Administration			
End the Mailing of Federal Register to Federal Government Offices	0.000	-4.000	-16.000
TOTAL	-59.989	-120.920	-779.660

Note: Amounts in this table include estimated savings from actions agencies are implementing to reduce costs that require no further action by the Congress.

* Savings estimates under development.

PROGRAM INTEGRITY SAVINGS

(Outlays and receipts in millions of dollars)

	2012	2013	2014	2015	2016	2012-2016	2012-2021
Savings from Discretionary Allocation Adjustments:							
Centers for Medicare and Medicaid Services, Department of Health and Human Services	-750	-890	-930	-990	-1,040	-4,600	-10,270
Disability Insurance and Supplemental Security Income Programs, Social Security Administration	-379	-2,280	-3,549	-4,496	-5,651	-16,355	-56,368
IRS Tax Enforcement, Department of the Treasury (receipts)	-276	-804	-1,970	-3,721	-5,646	-12,417	-55,653
Unemployment Insurance, Department of Labor	-92	-213	-235	-258	-283	-1,081	-2,712
Partnership Fund for Program Integrity Innovation, Executive Office of the President .....	.....	.....	.....	.....	.....	.....	.....
Total, Savings from Discretionary Allocation Adjustments	-1,497	-4,187	-6,684	-9,465	-12,620	-34,453	-125,003
Savings from Mandatory/Receipt Legislative Proposals:							
Expand CMS Program Integrity Authority, Department of Health and Human Services	-655	-885	-1,155	-2,805	-3,560	-9,060	-32,335
Levy Payments to Federal Contractors with Delinquent Debt, Department of the Treasury (receipts)	-59	-61	-64	-67	-69	-320	-719
Levy Payments to Medicare Providers with Delinquent Debt, Department of the Treasury (receipts)	-64	-68	-71	-74	-76	-353	-748
Unemployment Insurance, Department of Labor (outlays and receipts) .....	.....	-142	-261	-222	438	-187	-556
WEP/GPO Enforcement Provision, Social Security Administration	13	20	18	-202	-439	-590	-3,329
Total, Savings from Mandatory/Receipt Legislative Proposals	-765	-1,136	-1,533	-3,370	-3,706	-10,510	-37,687
Other Program Integrity Savings:							
Income Verification of Pell Grant Applicants, Department of Education (Outlay Savings)	-106	-390	-404	-420	-436	-1,756	-4,120
Workers Compensation Information Reporting, Social Security Administration .....	.....	.....	.....	.....	.....	.....	.....
Low Income Home Energy Assistance Program, Department of Health and Human Services .....	.....	.....	.....	.....	.....	.....	.....
Do Not Pay Fraud Prevention Activities, Government-wide .....	.....	.....	.....	.....	.....	.....	.....
Child Care and Development Fund, Department of Health and Human Services .....	.....	.....	.....	.....	.....	.....	.....
Administrative Debt Collection Reforms, Department of the Treasury .....	.....	.....	.....	.....	.....	.....	.....
Total, Program Integrity Savings	-2,368	-5,713	-8,621	-13,255	-16,762	-46,719	-166,810