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## SUMMARY AND ANALYSIS OF THE PRESIDENT'S FISCAL YEAR 2011 BUDGET

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February 4, 2010

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.
- Throughout the document, the Congressional Budget Office is abbreviated to CBO. The Office of Management and Budget is abbreviated to OMB.
- The numbers in this document are OMB estimates.
- Throughout the document, the American Recovery and Reinvestment Act of 2009 (P.L. 111-5) is referred to as the Recovery Act.
- Unless otherwise noted, the 2010 level refers to the enacted level excluding funding provided by emergency bills.
- Funding levels for discretionary programs are stated in budget authority, and funding levels for entitlements and other direct spending programs represent outlays.
- Numbers in tables may not add due to rounding.

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# OVERVIEW

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President Obama and Congress spent the last year working to repair the economic and fiscal mess the Administration inherited one year ago. This week the President submitted his fiscal year 2011 budget request, which focuses on continuing efforts to promote the ongoing economic recovery, moving toward fiscal sustainability, and making critical investments needed for a better future.

## Job Creation and Economic Recovery

While the economy has started to grow once again during the last two quarters and job losses have slowed dramatically, too many Americans continue to struggle with the effects of the recession, and unemployment remains unacceptably high. Therefore, job creation and economic recovery are the central focus of the President's budget and policy initiatives.

**Job Creation Package** — The President's budget requests \$100 billion for a jobs package. The House passed a job creation bill in December, and the Senate is expected to consider jobs legislation soon. The funding included in the President's budget could accommodate, for example, the Administration's recent proposal to provide a \$33 billion tax credit to encourage small businesses to hire workers. A jobs package could also include infrastructure investments, clean energy initiatives, and other efforts contained in the House-passed bill.

**Short-Term Continuation of Certain Recovery Act Provisions** — The President's budget proposes to temporarily extend some of the components of the Recovery Act that helped spur economic growth and assist those most in need during the recession. These components include those concerning unemployment insurance, COBRA health insurance premium assistance, bonus depreciation and small business expensing, the enhanced federal matching rate to states for Medicaid expenditures, and the Making Work Pay tax credit. Most of these provisions are also included in the House-passed jobs package. The Recovery Act passed by Congress last year prevented an even deeper recession and began to turn the economy around. The nonpartisan Congressional Budget Office has estimated that the Recovery Act raised real GDP by between 1.3 and 3.5 percentage points in the second half of 2009, and boosted employment by between 600,000 and 1.6 million jobs.

**Other New Job Creation Initiatives** — The budget proposes a number of other job creation initiatives, including:

- To provide small businesses with access to credit, the budget requests \$17.5 billion in Small Business Administration 7(a) loan guarantees;
- To increase investment incentives, it proposes to eliminate capital gains taxes on long-term investments for many small businesses;
- To increase exports, the budget requests a 20 percent increase for the Commerce Department's International Trade Administration, as well as funding for other export-related agencies.

- To invest in high-value infrastructure projects, the budget proposes \$4 billion in 2011 and \$25 billion over five years for a National Infrastructure Innovation and Finance Fund.

## Deficit Reduction

The President’s budget makes fiscal responsibility a top priority, proposing specific steps to move the budget toward a fiscally sustainable future.

**Deficits Decline** — The budget includes a deficit of \$1.3 trillion for 2011, below the \$1.6 trillion deficit expected for 2010. By 2014, the deficit falls to half of the 2009 deficit of \$1.4 trillion, to a level that is 3.9 percent of GDP. To help achieve additional deficit reduction, the Administration reiterates its support for a bipartisan Fiscal Commission, which would be tasked with developing proposals to balance the budget (excluding interest payments on the national debt) by 2015. The Administration estimates that such deficit reduction would stabilize the debt-to-GDP ratio at a sustainable level.

**Freeze on Non-Security Discretionary Spending** — The President’s budget proposes to contribute \$250 billion to deficit reduction over the next ten years with a three-year freeze on non-security discretionary spending. However, the budget does not propose to freeze every agency across the board; higher priority initiatives receive increases, while lower priority programs are cut below a freeze. The sum total of all of the increases and decreases would result in a freeze in the overall level of non-security appropriations.

**Statutory Pay-As-You-Go (PAYGO) Rules** — The President has endorsed the reinstatement of statutory PAYGO rules based on those that helped turn record federal budget deficits into record surpluses during the 1990s, before the Republican Congress let the rules expire in 2002. Both the House and Senate have passed a statutory PAYGO bill, which is headed to the President for his signature. Statutory PAYGO requires that the costs of any new mandatory spending or revenue policies are offset so that they do not make the deficit worse. If the rules are not followed, an across-the-board cut is imposed on non-exempt mandatory spending programs to bring the deficit down.

**Program Integrity Initiatives** — The President’s budget proposes to continue its successful efforts to increase resources to combat wasteful spending and ensure that revenues owed to the government are collected. The budget assumes savings in four specific areas will total \$132 billion through 2020, according to OMB estimates.

### Budget Totals in Billions of Dollars

(OMB estimates)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Receipts</b>	2,165	2,567	2,926	3,188	3,455	3,634	3,887	4,094	4,299	4,507	4,710
<b>Outlays</b>	3,721	3,834	3,755	3,915	4,161	4,386	4,665	4,872	5,084	5,415	5,713
<b>Deficit</b>	1,556	1,267	828	727	706	752	778	778	785	908	1,003
<b>% of GDP</b>	10.6	8.3	5.1	4.2	3.9	3.9	3.9	3.7	3.6	3.9	4.2

## Investments in the Future and Other Features of the Budget

**Strategic Domestic Investments** — Within the overall freeze for non-security discretionary funding discussed above, the President’s budget proposes increases for certain key investments, including:

- **Education** — Under the President’s budget, the Department of Education would receive a 7.5 percent increase in appropriations. The Department of Education funding includes \$1.35 billion to expand the Race to the Top competition, which encourages successful educational reforms at the state and local level.
- **Research and Development** — The President’s budget requests a 6.4 percent increase for research and development as part of its emphasis on maintaining the global competitiveness of the nation’s economy. The proposal would increase funding to the National Science Foundation, the Department of Energy’s Office of Science, and the National Institute of Standards and Technology for research in the areas of energy independence and new energy technologies, among others.

**National Security Funding** — The President’s budget requests a 7.5 percent increase for appropriated funding for veterans’ services for 2011 and \$50.6 billion of advance appropriations for 2012. The budget proposes \$574 billion for regular defense discretionary activities, a 3.5 percent increase above the enacted level for 2010, and 1.2 percent above the level needed to keep pace with inflation. For overseas operations, it includes a Department of Defense supplemental request of \$33 billion for 2010 in addition to the \$130 billion already enacted (supplemental requests for other agencies also include funding for overseas operations), and it requests a total of \$159 billion for 2011. For each year after 2011, the budget includes placeholder estimates of \$50 billion. The budget request thus follows last year’s precedent of providing both a full-year estimate for overseas operations for the budget year and placeholder estimates for future costs in every year. The Department of Homeland Security would receive a significant increase, including additional funding for airline security. The budget requests an increase in regular appropriated funding of \$7.9 billion (15.6 percent) for international affairs.

**Tax Policy** — The President’s budget calls for the permanent extension of expiring provisions of the 2001 and 2003 tax cuts benefitting middle-income Americans. The budget also proposes a permanent fix to the Alternative Minimum Tax (AMT) to prevent it from hitting millions of additional taxpayers. The President’s budget also calls for \$143 billion over ten years in new tax cuts for families and individuals, including an expanded earned income tax credit, an expanded child and dependent care tax credit, and new incentives to allow all Americans to attend college and save for retirement. It also proposes tax cuts for businesses including making the research and experimentation tax credit permanent.

The budget includes a number of proposals to raise revenue, including a new financial crisis responsibility fee, which would raise \$90 billion over ten years from big banks. Revenue raised from this proposal would cover the net cost to taxpayers of the Troubled Asset Relief Program (TARP). In addition, the budget proposes to allow those provisions of the 2001 and 2003 tax cuts that benefit only those couples earning over \$250,000 (individuals earning over \$200,000) to expire as scheduled

under current law. The budget also includes proposals to close tax loopholes and reduce the “tax gap” of taxes owed but not paid, as well as several revenue proposals from last year’s budget – such as the limitation on the use of itemized deductions.

**Health Care Reform** — The President’s budget includes a placeholder estimate of savings from health insurance reform. Over ten years, the budget reflects \$150 billion in deficit reduction for health reform, which represents the mid-way point between the House-passed and Senate-passed bills.

**Climate Policy** — The budget includes a budget-neutral reserve fund for climate change policy. This allowance would accommodate a comprehensive market-based policy that will use proceeds from carbon emissions allowances to help families, communities, and businesses make the transition to a clean energy economy through steps like investing in new energy technologies.

# JOB AND ECONOMIC RECOVERY

While the economy has started to grow once again during the last two quarters and job losses have slowed dramatically, too many Americans continue to struggle with the effects of the recession, and unemployment remains unacceptably high. Last year Congress passed and the President signed the American Recovery Act to create jobs and rebuild our economy, providing for both tax cuts and spending with immediate and long-term economic impacts. This year the Administration makes job creation and economic recovery a central focus of the President's 2011 budget request.

## The Recovery Act

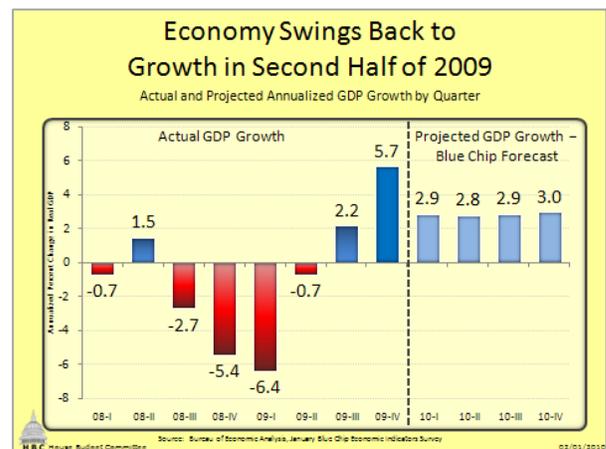
The Recovery Act created jobs with funding for infrastructure projects, as well as billions for education that helped states prevent teacher layoffs. The Recovery Act will continue to have a significant impact in 2010.

- The Recovery Act cut taxes, providing \$288 billion in tax relief that went to 9 in 10 families and to small businesses.
- The Recovery Act helped those in need, extending unemployment insurance and food assistance for those struggling in the recession, and helping those who lose their jobs to maintain health insurance by temporarily paying two thirds of their premiums under COBRA.
- The non-partisan CBO estimates that the Recovery Act raised GDP by between 1.3 and 3.5 percentage points in the second half of 2009, and is responsible for boosting employment by between 600,000 and 1.6 million jobs.
- If Congress had not passed the Recovery Act, Economist Mark Zandi calculates that GDP would have contracted by nearly 6.0 percent in the second quarter and declined by 3.0 percent in the third quarter of 2009.

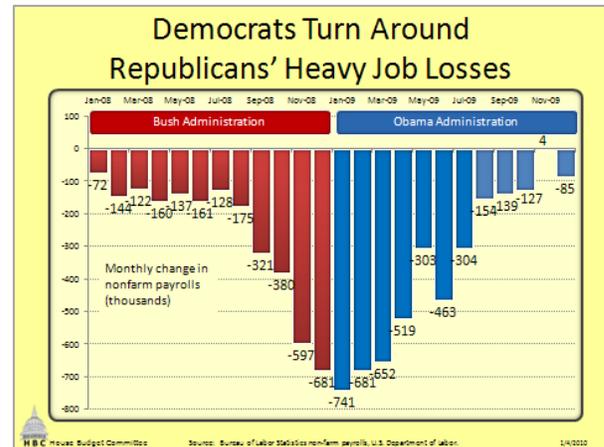
Although we still have far to go before we can be satisfied, in contrast to the freefall we were in during the last quarter of 2008, the economy has now grown for two straight quarters; it grew by 5.7 percent in the fourth quarter of 2009 – its best output in more than six years. Most economists now predict steady growth during 2010.

### Americans' Retirement Accounts are Replenishing

– After steep declines in 2008 and early 2009, the value of Americans' retirement accounts have rebounded by almost one third since the first quarter of 2009, restoring nest eggs to prepare for the future.



**Job Losses Decline** – Although jobs are still hard to find for far too many Americans, the 111<sup>th</sup> Congress has taken actions that are staunching the hemorrhaging of job losses: in the last three months of 2009, job losses declined by nearly 90 percent compared with the last three months of 2008, when we lost on average 673,000 jobs per month.



## Short-Term Continuation of Certain Recovery Act Provisions

The President’s budget proposes to temporarily extend some of the components of the Recovery Act that helped spur economic growth, prevented states from making the most draconian cuts to services, and assisted those most in need during the recession. Most of these provisions are also included in the House-passed jobs package.

**Unemployment Insurance** – The budget proposes to temporarily continue expanded federal unemployment benefits to provide a safety net for families still struggling to find work, at a cost of \$49 billion.

**COBRA Health Insurance Premium Assistance** – The budget proposes \$8.7 billion for a temporary extension of the premium subsidy for those that lost their jobs.

**Making Work Pay Tax Credit** – The refundable income tax credit provides relief to both small business owners struggling with expenses and to working families. The budget proposes a one-year extension that costs \$61.2 billion.

**FMAP** – The budget proposes \$25.5 billion to fund a six month extension of the enhanced Federal Medical Assistance Percentages (FMAP). Combined with the Recovery Act, this extension provides relief to states through the end of their 2011 fiscal years.

**Small Business Expensing and Bonus Depreciation** – The budget proposes to extend both provisions for one year to encourage businesses to invest in new equipment and expand their operations. Since this tax relief simply allows firms to expense more of the cost of new equipment now instead of in later years, most of the \$38.8 billion in relief the budget proposes to provide firms in 2010 and 2011 is recouped in future years, for a net cost of \$2.3 billion over 11 years (2010-2020).

**Provide Additional Tax Credits for Property Used in Advanced Energy Manufacturing** – Extending through tax year 2011 the 30 percent credit for investment in property used in a range of qualifying projects that produce energy from the sun, wind, geothermal deposits or produce smart grid technologies, or plug-in electric drive vehicles, etc. The cost is \$3.7 billion.

## **A Job Creation Package**

Although the Recovery Act sparked economic growth and created or saved millions of jobs, many Americans are still struggling to find work. The President's budget requests \$100 billion for a jobs package. The House passed a job creation bill in December, and the Senate is expected to consider jobs legislation soon. The funding requested in the President's budget could accommodate, for example, the Administration's recent proposal to provide a \$33 billion proposal to encourage small businesses to hire new employees by giving them a \$5,000-per-new-hire tax credit and to offer existing employees raises by offsetting the cost of the resulting employer Social Security taxes. A jobs package could also include infrastructure investments, clean energy initiatives, and other efforts.

## **Other New Job Creation in the 2011 Request**

In addition to the \$100 billion for a jobs package, the 2011 budget also proposes a number of other job creation initiatives, including:

- To permanently eliminate capital gains taxation on small businesses to encourage future long-term investment, at a cost of \$8.1 billion;
- To make the research and experimentation credit permanent and spur new technological development and innovation, the budget requests \$85.7 billion;
- To provide small businesses with access to credit, the budget requests \$17.5 billion in Small Business Administration 7(a) loan guarantees;
- To increase exports, the budget requests a 20 percent increase for the Commerce Department's International Trade Administration, as well as funding for other export-related agencies; and
- To invest in high-value infrastructure projects, the budget proposes \$4 billion in 2011 and \$25 billion over five years for a National Infrastructure Innovation and Finance Fund.

## **Shifting TARP's Focus from Wall Street to Main Street**

The Troubled Asset Relief Program (TARP) has helped to restore stability to a financial system that was in crisis. As large financial institutions have now begun to secure private capital, the Obama Administration has recovered \$165 billion to date in aid originally handed out by the Bush Administration. And over the last year, the Congress and the President have shifted TARP's focus to homeowners, small businesses, and American jobs.

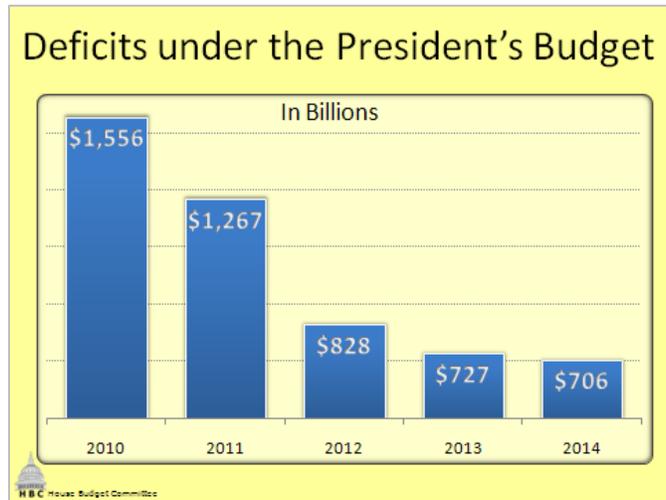
Along those lines, the President proposes to transfer \$30 billion in unused TARP authority to a new Small Business Lending Fund. The Fund would provide low-cost capital to participating small and community banks that demonstrate increased small business lending.

Even as the Administration uses TARP to support small business lending, TARP is winding down. The President does not propose to use all of its authority. As a result, TARP is now expected to cost \$117 billion over 12 years, significantly less than the \$700 billion level of activity allowed under the program. And to ensure that taxpayers are repaid in full for all losses, the Administration proposes that financial institutions that benefited from TARP pay a Financial Crisis Responsibility Fee.

# FISCAL RESPONSIBILITY AND BUDGET ENFORCEMENT

The President’s budget makes fiscal responsibility a top priority, proposing specific steps to move the budget toward a fiscally sustainable future.

**Deficits Decline over Time** — The Administration inherited the worst federal budget deficit in history and a downward spiraling economy in recession. The President’s proposed budget includes a deficit for 2011 of \$1.3 trillion, slightly lower than the \$1.6 trillion deficit expected for 2010. By 2014, the deficit falls to \$706 billion, or half of the 2009 deficit of \$1.4 trillion, representing 3.9 percent of GDP. In addition, the Administration expects that its proposed fiscal commission (discussed below) will develop proposals that further reduce these deficits.



**Bipartisan Fiscal Commission** — The budget reiterates the Administration’s support for a bipartisan Fiscal Commission to help achieve additional deficit reduction. The Fiscal Commission would be tasked with developing proposals to balance the budget (excluding interest payments on the national debt) by 2015. The Administration estimates that such deficit reduction would stabilize the debt-to-GDP ratio at an acceptable level. The Commission would also focus on examining policies to meaningfully improve the long-run fiscal outlook.

**Freeze on Non-Security Discretionary Spending** — The President’s budget proposes to contribute nearly \$250 billion to deficit reduction over the next ten years with a three-year freeze on non-security discretionary spending – that is, annually appropriated funding outside the Departments of Defense, Homeland Security, State, and Veterans Affairs, the Department of Energy’s National Nuclear Security Administration, and other international affairs accounts. (The freeze does not affect mandatory programs such as Social Security, Medicare, and Medicaid.) The proposal does not freeze every account and agency across the board. Higher priority initiatives receive increases, while lower priority programs are cut below a freeze. The sum total of all of the increases and decreases would result in a freeze in the overall level for this category of funding.

## Discretionary Programs by Agency (budgetary resources in billions of dollars)

	2010 Enacted	2011 Request	2012	2013	2014	2015
<b>Discretionary Resources</b>						
Security Agencies	683.7	719.2	747.5	768.7	789.7	814.0
Non-Security Agencies	446.3	441.3	446.4	446.2	459.1	472.3

Amounts do not include overseas contingency operations, emergencies, or Pell grants

**Program Integrity Initiatives** — Despite the reductions in overall discretionary funding, the President’s budget proposes to continue its successful efforts to increase resources to combat wasteful spending and ensure that revenues owed to the government are collected. Increased funding is again provided in four areas to:

- Provide additional Social Security Administration continuing disability reviews and redeterminations;
- Combat health care fraud and abuse;
- Reduce Unemployment Insurance improper payments; and
- Increase tax law enforcement through Internal Revenue Service.

Savings from the four initiatives, which will continue through the ten-year period, will total \$132 billion through 2020. In addition to these efforts, the budget outlines further program integrity initiatives on the mandatory side of the budget that save \$20 billion over ten years.

**Budgeting for Disaster and War Costs** — Like last year, the budget again proposes funding to reflect costs of unforeseen events such as natural disasters. The funding level included is based on a statistical probability of emergency costs. The Administration is not requesting the funds but rather including the placeholder to provide more realistic budget forecasting. The President’s budget also includes a \$50 billion placeholder for the cost of our overseas deployments in future years – a cost the previous Administration routinely left out of its budgets.

## Budget Reform Proposals

The budget reform proposals in the President’s budget include:

**Statutory Pay-As-You-Go (PAYGO) Rules** — The President has endorsed the reinstatement of statutory PAYGO rules based on those that helped turn record federal budget deficits into record surpluses during the 1990s, before the Republican Congress let the rules expire in 2002. Both the House and Senate have passed a statutory PAYGO bill which is headed to the President for his signature. Simply put, statutory PAYGO requires that the costs of any new mandatory spending or revenue policies do not, on balance, make the deficit worse. If the rules are not followed, an across-the-board cut is imposed on non-exempt mandatory spending programs to bring the deficit down.

**Expedited Rescission** — The budget proposes an expedited rescission provision 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 package could only reduce or eliminate funding. Within the package, the savings could not be redirected for other purposes.

# TAX POLICY

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The President's budget proposes to make permanent the 2001 and 2003 tax cuts affecting Americans with incomes under \$250,000 per couple (under \$200,000 for individuals) and to provide relief from the Alternative Minimum Tax (AMT) to prevent it from hitting tens of millions of additional taxpayers. The budget also proposes \$143.4 billion over ten years in new tax cuts for families and individuals, including an expanded earned income tax credit, an expanded child and dependent care tax credit, and new incentives to help all Americans to attend college and save for retirement. It also proposes tax cuts for businesses including making the research and experimentation tax credit permanent. The budget includes a number of proposals to raise revenue, including a new financial crisis responsibility fee that would raise \$90.0 billion over ten years from big banks, recouping the net cost to taxpayers of the Troubled Asset Relief Program (TARP). In addition, the budget proposes to allow those provisions of the 2001 and 2003 tax cuts that benefit only those couples with incomes over \$250,000 (\$200,000 for individuals) to expire as scheduled under current law. The budget also includes proposals to close tax loopholes and reduce the "tax gap" of taxes owed but not paid, as well as several revenue proposals from last year's budget, such as the limitation on the use of itemized deductions. Costs cited below are generally for ten years and include both the revenue and the spending effects of tax provisions, unless otherwise indicated.

In addition to the short-term tax measures intended to accelerate job creation (discussed in the section on *Jobs and Economic Recovery*), the Administration's budget includes a number of other tax measures.

## 2001 and 2003 Tax Cuts and AMT Relief

The President's budget would permanently extend the 2001 and 2003 tax cuts for Americans with incomes under \$200,000 for single filers and \$250,000 for married couples that are due to expire at the end of 2010. The budget also proposes a permanent fix to the Alternative Minimum Tax (AMT) to prevent it from hitting tens of millions of additional taxpayers. Specifically, the budget proposes to permanently extend: the 10, 25, and 28 percent income tax brackets; the child tax credit at a refundability level of \$3,000; marriage penalty relief; education incentives including the enhanced HOPE and Lifetime Learning credits and the exclusion for employer-provided college courses; the estate tax at 2009 levels (45 percent top tax rate and \$3.5 million exemption, indexed for inflation); a 15 percent tax rate on capital gains and dividends for those with incomes below \$200,000/\$250,000 (but a 20 percent tax rate for those with incomes above these amounts); small business expensing; and relief from the AMT such that no more than four million or so taxpayers will owe it.

After 2010, the budget would allow the 33 and 35 percent tax rates to expire and revert to the 36 and 39.6 percent rates respectively. The proposal would also expand the 28 percent bracket to insure that taxpayers with incomes under \$200,000/\$250,000 do not see a tax increase. The budget would retain the phase-out of the personal exemption (PEP) and the limitation on itemized deductions (Pease), which were repealed in the 2001 and 2003 tax cuts. However, the budget would unify their phase-out

schedules and shield taxpayers with incomes below \$200,000/\$250,000 from the phase-outs. The budget also proposes to raise the top tax rate on capital gains and dividends to 20 percent.

## **New Tax Relief for Families**

The budget proposes \$143.4 billion in new tax relief for families. These proposals include permanent extensions of some provisions authorized under the Recovery Act as well as new proposals developed by the Middle Class Task Force chaired by Vice President Biden.

**Expand the Earned Income Tax Credit (EITC)** — The budget proposes \$15.2 billion to make permanent the expansion of the EITC for workers with three or more qualifying children authorized in the Recovery Act.

**Nearly Double the Child and Dependent Care Credit (CDCTC)** — The CDCTC has only increased once in 28 years and is not indexed for inflation, even though child care costs have grown dramatically. The proposal would nearly double the refundable credit for families making under \$85,000 a year and would allow nearly all eligible families making under \$113,000 a year to receive a larger credit. The credit expansion would cost \$12.6 billion.

**Simplify and Expand the Saver's Tax Credit** — The budget proposes to encourage the formation of retirement savings – which took a severe hit during the financial crisis – by expanding and simplifying the Saver's Credit for families earning up to \$85,000. The Administration would also make this tax credit refundable to ensure that millions of additional middle-income families can take advantage of it even though they have no income tax liability. This proposal would cost \$29.8 billion.

**Establish Automatic IRAs** — Currently, 78 million working Americans, or roughly half the work force, lack employer-based retirement plans. The budget proposes establishing a system of automatic IRAs in the workplace by requiring employers who do not currently offer a retirement plan to enroll their employees in a direct-deposit IRA unless the employee opts out. New tax credits would help pay employer administrative costs and the smallest firms would be exempt. Establishing automatic IRAs would cost \$10.4 billion over ten years.

**Extend and Expand the American Opportunity Tax Credit (AOTC)** — Created under the Recovery Act to replace the Hope Scholarship credit, the AOTC provides a maximum credit of \$2,500 for qualified post-secondary education tuition expenses. The budget proposes to make the credit permanent and index it for inflation at a cost of \$75.5 billion over ten years.

## **New Tax Relief for Businesses**

The President's budget proposes making permanent the business tax relief and investment incentives already extended under the Recovery Act, as well as certain routinely expiring business provisions.

**Eliminate Capital Gains Taxation on Small Businesses** — To further encourage investment and expansion, the budget proposes \$8.1 billion over 2014-20 so that small businesses can exclude from taxation 100 percent of the capital gains realized on the sale of certain stock.

**Make the Research and Experimentation Tax Credit Permanent** — The budget proposes to make permanent a tax credit of 20 percent to encourage new spending on research and experimentation in excess of a base amount. The estimated cost is \$85.7 billion over eleven years (2010-2020).

**Continue Certain Expiring Provisions through Calendar 2011** — The budget proposes to extend through calendar year 2011 a number of business tax provisions scheduled to expire before then, including the Subpart F “active financing” and “look-through” exceptions, among a number of others.

## **Selected Revenue Raisers and Loophole Closers**

The major revenue raisers that the budget proposes – some of which are the same or similar to proposals in last year’s budget – are as follows:

- imposing a Financial Crisis Responsibility Fee on large financial institutions to raise \$90 billion over the budget window to recoup projected TARP losses for taxpayers;
- limiting the tax benefit for itemized deductions to 28 percent of deductible expenses, representing a tax increase to those itemizers above the 28 percent tax bracket. The proposal would raise \$291.2 billion over ten years;
- reinstating Superfund Taxes, which expired in 1995, raising \$18.9 billion;
- repealing the “last-in, first out” (LIFO) method of accounting, raising \$59.1 billion;
- reforming the U.S. International tax system, such as through reforming the foreign tax credit and a number of other proposals, for a combined savings of \$122.4 billion over 11 years;
- proposing the elimination of subsidies for oil, natural gas, and coal production, saving \$38.8 billion;
- taxing carried Interest as ordinary income, and raising \$24.0 billion;
- limiting the cellulosic biofuel producer credit so that it excludes the “black liquor” byproduct from paper production, saving \$24.8 billion over 11 years; and
- reducing the “tax gap” (the gap between taxes paid to the government and taxes actually owed), through better reporting and compliance, raising \$49.4 billion over 11 years.

## **Trade Promotion and Other Initiatives**

The budget proposes \$6.0 billion to promote U.S. trade, \$3.4 billion to promote investments in communities through the New Markets tax credit, and to make the highly successful Build America Bonds program permanent in a way that is nearly revenue neutral. Through program integrity initiatives, the budget would also propose to raise IRS collections by \$62.2 billion.

# EDUCATION

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## Overview

The Administration is emphasizing the importance of federal education initiatives by proposing substantial increases for education within its overall freeze of domestic funding. The President's 2011 budget requests an additional \$3.5 billion (7.5 percent) over the comparable 2010 discretionary level for key education investments to ensure that children graduate from high school ready to enter the workforce or pursue further education, and that they can afford to attend college. The Administration would focus the new education funding primarily on elementary and secondary education programs that reward innovation and success in learning and teaching, and that help turn around failing schools. The budget repeats last year's proposal to reform federal higher education efforts by discontinuing the bank-run student loan program and making all future student loans through the Direct Loan program. It proposes to use the resulting savings to help offset the cost of transforming Pell grants into an entitlement program with annual increases in the maximum grant pegged to inflation. Finally, the budget proposes to consolidate 47 existing education programs into 14 that receive more funding in aggregate, and to eliminate seven programs entirely.

## Elementary and Secondary Education

The President's budget proposes to reorganize elementary and secondary education funding into many fewer programs and to increase appropriations by \$3.1 billion over the 2010 enacted level. The President will request an additional \$1 billion if Congress reauthorizes the Elementary and Secondary Education Act (ESEA) in line with his proposals. The budget proposes to reorient the focus of programs and to provide new funding primarily through competitive grants in the following areas: effective teachers and principals; innovation in teaching; programs that benefit literacy, science and math, and other subjects; college preparation; safe and healthy students; and school options, including charter schools and public school choice.

**Enhancing Recovery Act Programs** – Nearly \$2 billion of the requested increase would fund innovation by modifying and extending two Recovery Act programs: \$1.35 billion to continue the Race to the Top program, and \$500 million to support development of promising educational practices.

**Focusing on Schools and Teaching** – The remaining proposed increases for ESEA programs include a \$350 million (10.0 percent) net increase for teacher programs that involves changing and cutting funds for the existing formula grant program for teacher quality and providing \$950 million for new competitive grants for states and school districts. The budget also proposes a \$354 million increase for School Turnaround Grants (currently called School Improvement Grants) and a \$200 million increase – from the \$10 million provided in 2010 – for Promise Neighborhoods, which provides competitive grants to improve the education and support for children in high-poverty communities. Title I (Education for the Disadvantaged) would be renamed as Accelerating Achievement and Ensuring Equity, and the state grant funding would be frozen at the 2010 level of \$14.5 billion. The

budget requests \$11.8 billion for special education state grants, a \$250 million increase over the 2010 level, which would provide roughly 6.7 million children with about \$1,750 in assistance and maintain the federal government's share of the average per pupil expenditure for special education at about 17 percent.

**Improving School Nutrition** – The budget requests an increase of \$10 billion over ten years for the reauthorization of the child nutrition programs, which includes school lunch and breakfast, after-school and summer food, and the Supplemental Nutrition Program for Women, Infants and Children (WIC) program.

**Consolidating Programs** – The budget proposes to consolidate 38 existing K-12 programs into 11 newly targeted programs in line with the President's plans for reauthorizing the ESEA, while increasing the total funding. (The complete list of education programs proposed for consolidation or elimination is online at: <http://www2.ed.gov/about/overview/budget/budget11/summary/edlite-section4.html>)

## Higher Education

The President's higher education request would increase student aid through both loans and grants, make it easier for students to apply for and repay aid, and make permanent several existing education tax benefits that are scheduled to expire.

**Student Loans** – The budget repeats last year's proposal to make all future student loans through the Direct Loan program, saving \$43.3 billion over ten years (2011-2020) according to OMB estimates. The budget also proposes to help low-income graduates repay their loans by expanding the Income-Based Repayment program that limits how much they have to repay, at a cost of \$7.5 billion over ten years. In addition, the budget includes other changes to education programs contained in the House-passed Student Aid and Fiscal Responsibility Act (HR 3221), including an \$8.8 billion community college initiative.

**Pell Grants** – The budget again proposes to increase the maximum Pell grant annually by 1 percent more than the increase in the Consumer Price Index – providing a \$160 increase for 2011, to \$5,710. The budget proposes to pay all Pell grant costs from the mandatory side of the budget instead of the current mix of primarily appropriated funding with a small mandatory grant component. It would use the savings from making all future student loans as Direct Loans to help offset the \$68.6 billion ten-year cost of the annual Pell grant increases. Funding the existing maximum award would cost about \$20 billion more in 2011 than provided in regular appropriations for 2010. That additional funding would be needed because costs of maintaining the same grant level increased as the number of students projected to receive Pell grants increased by about 1 million from 2009 to 2011, because some of 2010 costs were covered with prior Recovery Act funds, and because increased use of Pell grants over several years created a shortfall of nearly \$6 billion that must be repaid in 2011.

**Tax Incentives** – The budget proposes to make permanent the American Opportunity tax credit, providing a tax credit of up to \$2,500 per year (indexed in the future) for four years for eligible students' higher education tuition and related costs. This proposal costs \$75.5 billion over ten years.

The budget also proposes to make permanent other tax benefits that make college more affordable, including a tax deduction of up to \$4,000 for college tuition expenses, tax-free distributions from pre-paid college tuition plans, and the ability for taxpayers to claim both the HOPE or Lifetime Learning credits, among other provisions. These provisions cost \$15.6 billion over ten years.

## **Early Learning**

**New Mandatory Education Spending** – The budget requests mandatory spending of \$8.9 billion over ten years for a new Early Learning Challenge Fund for competitive state grants focused on pre-kindergarten children – in line with a proposal contained in the House-passed student aid bill.

**Head Start** – The budget proposes an additional \$989 million for Head Start and Early Head Start, which would continue the Recovery Act investments in these programs and provide an additional 64,000 low-income children with comprehensive education and other family services in 2011.

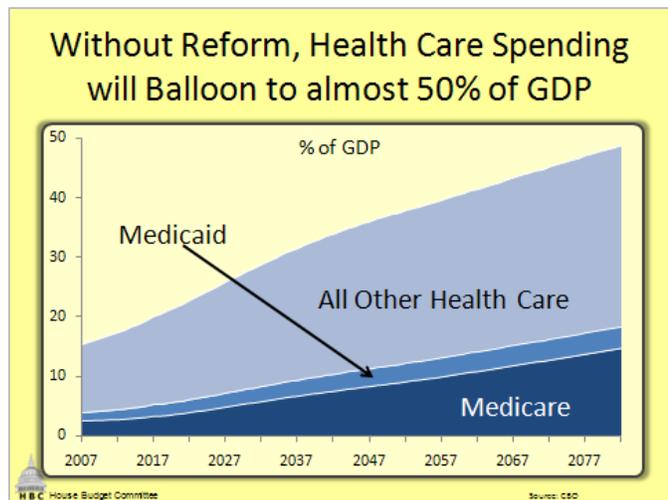
**Child Care** – The budget requests \$1.6 billion in additional appropriated and mandatory investments in child care for 2011, including funds for improving quality. The funding would provide child care for 1.6 million children, an increase of 235,000 children.

# HEALTH CARE

Rising health care costs place burdens on families, businesses, and the federal government's long-term fiscal outlook. Over the last decade, increases in family health insurance premiums steadily outpaced wage growth, resulting in less take-home pay for workers. At last count in 2008, 46 million individuals – nearly one out of six people in America – were without health insurance. Even individuals who have insurance today cannot count on it being there tomorrow: insurance companies can drop individuals' coverage, and if they leave their job, they run the risk of not being able to find coverage because of pre-existing conditions. And many who do have health insurance are underinsured: their coverage does not provide adequate financial protection in the event of serious illness, leading to severe financial stress or even bankruptcy.

Health care cost growth is the single largest driver of the federal government's long-term fiscal challenge. CBO projects total health care spending will increase from 17 percent of GDP today to half of GDP in 75 years. This trend directly affects the federal budget, and addressing health care cost growth is critical to addressing the nation's long-term fiscal challenges.

Last year, the Administration and Congress began laying the groundwork for real reforms to address the structural problems in American health care. These efforts started with the Recovery Act, which made critical investments to modernize the health care system and reduce health care costs by making significant investments in health information technology, preventive health care, and patient-centered health research to provide patients and doctors with basic information on which medical interventions work and which ones do not. In concert with the Administration, the House and Senate then developed comprehensive legislation to address the intertwined challenges of holding insurance companies accountable for their treatment of consumers, making affordable coverage available to all Americans, and reforming the delivery system to improve health care quality and value and reduce costs.



## Health Insurance Reform

The House and Senate have each passed versions of comprehensive health reform. Both bills reduce the deficit by more than \$100 billion over the first ten years, and CBO's analysis indicates that the legislation would continue to reduce deficits slightly in the subsequent decade. Both bills provide stability and security to families by protecting consumers from being denied coverage based on pre-existing conditions or having their coverage dropped by their insurer once they become ill. Both bills make coverage more affordable for individuals and small businesses, expand coverage to more than

30 million Americans, and provide consumers with cost and quality information about doctors and hospitals. Both bills include important reforms in Medicare to move toward a system that focuses on quality, value, and coordination of care. Because Congress has not yet finalized health reform legislation, the President's budget includes an allowance of net deficit reduction of \$150 billion over ten years to reflect the approximate fiscal effects of health reform. The Administration developed this figure to reflect an average of the estimates for the House- and Senate-passed bills.

## Health Care Quality and Efficiency Improvements

**Fighting Waste and Abuse in Medicaid and Medicare** — The budget proposes a package of measures aimed at cracking down on fraud and waste. These measures include a \$250 million increase for the Health Care Fraud and Abuse Control (HCFAC) program, bringing total HCFAC funding for 2011 (including mandatory funding not contingent on annual appropriations) to \$1.7 billion, a 16.8 percent increase. The additional funding would allow expansion of a variety of anti-fraud activities such as the Health Care Enforcement Action Team (HEAT), a joint effort by the Departments of Health and Human Services (HHS) and 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 budget also proposes legislation to give HHS and other federal agencies expanded authorities to detect and prevent improper Medicare and Medicaid payments. These new authorities include a data match with the Internal Revenue Service to help identify potentially fraudulent providers by determining which providers have not filed federal tax returns. These new authorities would generate \$13.1 billion in program savings over ten years.

**Improving Health Care Data** — The budget requests \$110 million for 2011 to begin a multi-year initiative at the Centers for Medicare and Medicaid Services to transform the agency's data infrastructure to meet the needs of a reformed health care delivery system. The initiative would support better financial accountability, enhance cyber security, and improve analytic capabilities.

**Investing in Patient-Centered Health Research** — The budget proposes \$611 million for the HHS Agency for Healthcare Research and Quality (AHRQ), which is \$214 million (53.9 percent) more than the 2010 level. The significant overall increase is mostly attributable to \$286 million proposed for patient-centered health research. This funding would build on the investments made in the Recovery Act to provide consumers, physicians, and other stakeholders with timely, usable scientific information about the outcomes of health care services and therapies to support informed decision-making.

## Public Health

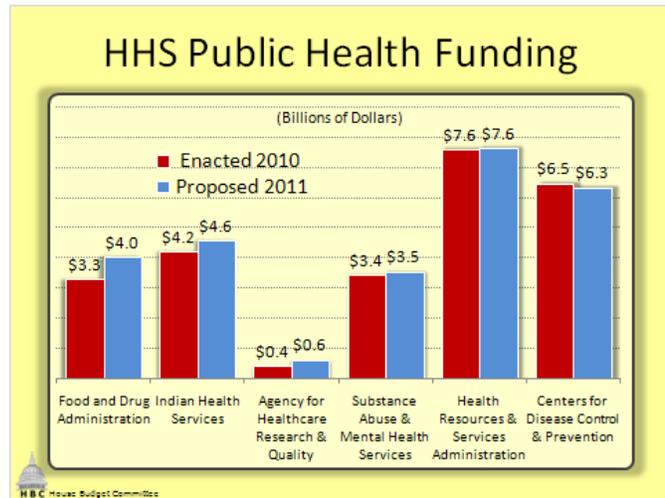
The budget proposes increasing funding for several public health activities. The major increases include enhancing food safety efforts, increasing health care access, preventing and treating HIV/AIDS, and enhancing the health professions workforce. The following are some highlights of the budget:

**Food and Drug Administration (FDA) —**

The budget proposes a program level of \$4.0 billion for FDA, which is a \$748 million increase (22.8 percent) above the 2010 level.

The total funding level consists of an appropriation of \$2.5 billion, \$1.2 billion in existing user fees, and \$289 million in proposed discretionary user fees. The Transforming Food Safety Initiative is proposed to receive an increase of \$318 million (30.3 percent) to set new food safety standards, strengthen surveillance, expand laboratory capacity, and establish a modern import safety program. The budget

proposes \$215 million in additional user fees for FDA to continue to implement the new tobacco control law. Also, the budget proposes to increase funding for the Protecting Patients Initiative by \$101 million (8.0 percent) to enhance the safety of drugs, medical devices, and biological products.



**Indian Health Service (IHS) —** The budget proposes funding of \$4.4 billion for IHS, an increase of \$354 million (8.7 percent) from the 2010 level. The major funding increases in the IHS budget are clinical services (\$247 million), contracted health services (\$84 million), and construction (\$37 million).

**Substance Abuse and Mental Health Services Administration (SAMHSA) —** The budget proposes funding SAMHSA at \$3.5 billion, an increase of \$110 million from the 2010 level. Increased funding is proposed for data collection (\$34 million), mental health services for homeless individuals (\$17 million), evidence-based prevention and wellness intervention focused on children (\$12 million), and expanding treatment capacity of drug courts (\$13 million).

**Health Resources and Services Administration (HRSA) —** The budget proposes \$7.5 billion for the HRSA program level (\$28 million above the 2010 level), which includes the elimination of \$338 million in congressionally directed local health projects, mostly to support health care facilities and construction. The budget proposes to increase funding for health centers by \$290 million (13.2 percent) to expand health center services, including the creation of 25 new access points in communities without access to health centers. The National Health Service Corps is proposed to increase \$27 million (19.0 percent), which is enough to increase the number of National Health Service Corps clinicians by roughly 5.0 percent. The budget also proposes to increase funding for programs including autism and other developmental disorders (\$7 million increase), the Ryan White HIV/AIDS program (\$40 million increase), and the Maternal and Child Health Block Grant (\$11 million increase).

**Centers for Disease Control and Prevention (CDC) —** The budget proposes \$6.3 billion in discretionary resources for CDC, which is \$133 million below the 2010 level. Modest proposed funding increases for infectious diseases, health promotion, and health statistics are offset by the availability of unobligated balances from supplemental funding for the 2009 influenza pandemic.

## DEFENSE AND OVERSEAS OPERATIONS

The President's 2011 budget proposes \$733.1 billion for defense discretionary activities – \$573.8 billion for non-overseas operations related national defense appropriated activities and \$159.3 billion for costs related to overseas operations. Of the non-overseas operations amount, \$548.9 billion is for the Department of Defense (DoD), \$17.8 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.

<b>National Defense (Function 050)</b> (Budget Authority in Billions of Dollars)				
	<u>2010</u>	<u>2011</u>	<u>Increase/ Decrease</u>	<u>Percent</u>
Discretionary - Excluding Overseas Ops				
Department of Defense	530.8	548.9	18.2	3.4%
Atomic Energy Activities	16.6	17.8	1.2	7.2%
Other Defense-Related Activities	<u>6.7</u>	<u>7.0</u>	<u>0.3</u>	<u>4.2%</u>
<b>Subtotal Base Discretionary</b>	<b>554.1</b>	<b>573.8</b>	<b>19.6</b>	<b>3.5%</b>
Overseas Operations				
Enacted to Date	130.0	-		
2010 Supplemental	33.0	-		
2011 Request	<u>-</u>	<u>159.3</u>		
<b>Subtotal Overseas Operations</b>	<b>163.0</b>	<b>159.3</b>	<b>-3.7</b>	<b>-2.3%</b>
<b>Total Discretionary</b>	<b>717.1</b>	<b>733.1</b>	<b>16.0</b>	<b>2.2%</b>
<b>Mandatory</b>	<b>5.0</b>	<b>5.6</b>	<b>0.6</b>	<b>12.3%</b>
<b>Total Function 050 (Excluding Overseas)</b>	<b>559.1</b>	<b>579.4</b>	<b>20.3</b>	<b>3.6%</b>
<b>Total Function 050 (Including Overseas)</b>	<b>722.1</b>	<b>738.7</b>	<b>16.6</b>	<b>2.3%</b>

The President's budget proposes a 3.5 percent increase above the 2010 enacted level (1.2 percent above inflation) for the defense discretionary spending category (excluding overseas operations and emergencies) and continues to place a high priority on reforming the defense acquisition process. For overseas operations, the budget includes a DoD supplemental request of \$33.0 billion for 2010 in addition to the \$130.0 billion already enacted (supplemental requests for other agencies also include funding for overseas operations), and it requests a total of \$159.3 billion for 2011. For each year after 2011, the budget includes placeholder estimates of \$50 billion. The budget request thus follows last year's precedent of providing both a full-year estimate for overseas operations for the budget year and placeholder estimates for future costs in every year.

## Department of Defense

**Department of Defense by Title** — The following table compares the President’s “base” budget request with the 2010 enacted level, excluding emergency and overseas operations funding.

<b>DoD Discretionary Budget Authority by Title</b>			
(Billions of Dollars; Excluding Emergencies and Overseas Operations Funding)			
	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>Percent Change</u></b>
Military Personnel	134.9	138.5	2.7%
Operation and Maintenance	184.5	200.3	8.6%
Procurement	104.8	112.9	7.7%
RDT&E	80.1	76.1	-5.0%
Military Construction	21.0	16.9	-19.5%
Family Housing	2.3	1.8	-21.7%
Other	<u>3.1</u>	<u>2.4</u>	<u>-22.6%</u>
	530.8	548.9	3.4%

Numbers may not add due to rounding.

**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 \$138.5 billion is 2.7 percent above the 2010 enacted level and supports 2.3 million service members. It proposes a military pay raise of 1.4 percent that is 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).

**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 \$200.3 billion is 8.6 percent above the enacted level for 2010, providing significant increases across all of the military services. Part of this additional funding is attributed to increases for military health care and family support programs.

**Defense Acquisition (Procurement and RDT&E)** — The budget proposes \$112.9 billion for procurement of weapons systems and military equipment including aircraft, ships, vehicles, and satellites. It requests \$76.1 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 funding request for procurement is 7.7 percent more than the 2010 enacted level, while the funding level for RDT&E reflects a 5.0 percent cut. This shift to provide more funding for procurement reflects a strategy to bolster the military’s capabilities to better address current threats. Highlights of the acquisition budget include:

- \$500 million boost for helicopter acquisition and modernization;
- \$1.6 billion for Predator/Reaper Unmanned Aerial Vehicles to increase combat air patrols from 37 to 65 by 2013;
- \$864 million for developing the new generation KC-X Tanker;

- \$11.2 billion and an additional year of development for the Joint Strike Fighter;
- \$25.1 billion for development and procurement of 10 new ships (9 Navy; 1 Army);
- \$3.2 billion to support Brigade Combat Team modernization; and
- \$9.9 billion for Ballistic Missile Defense.

**Acquisition Reform and Program Terminations** — The budget continues efforts begun in the 2010 budget to reform the defense acquisition process. The budget supports a plan to increase the number of acquisition personnel by 20,000, from 127,000 this year to 147,000 by 2015, to provide better oversight of DoD’s weapons programs. The budget also proposes to end a number of programs that DoD identifies as no longer needed or ones it identifies as having excessive cost and schedule problems, including:

- Ending C-17 production because the current inventory already meets DoD needs;
- Ending the Joint Strike Fighter Alternative Engine program;
- Canceling the Navy’s CG(X) next generation cruiser; and
- Canceling the Defense Integrated Military Human Resources System.

**Military Construction and Family Housing** — The 2011 “base” budget requests \$16.9 billion for military construction and \$1.8 billion for family housing. This funding level is significantly lower than the 2010 enacted level due primarily to a slowdown in the funding needed for activities related to the Base Realignment and Closure (BRAC) 2005 decisions.

<b>Budget Authority</b> (Billions of Dollars)			
	<u>2010</u>	<u>2011</u>	<u>Increase/ Decrease</u>
Military Construction (without BRAC)	13.1	14.2	8.4%
BRAC	7.9	2.7	-65.8%
Family Housing	<u>2.3</u>	<u>1.8</u>	-21.7%
<b>Total</b>	23.3	18.7	-19.7%

Numbers may not add due to rounding.

**Costs of Overseas Operations** — The budget proposes an additional \$33.0 billion in supplemental funding for 2010 for military requirements associated with operations in Afghanistan and Iraq. This funding would be on top of \$130.0 billion already provided to DoD through regular 2010 appropriations. (The Administration also requests an additional \$4.5 billion for 2010 to fund State Department and US Agency for International Development operations in Afghanistan, Pakistan, and Iraq. This request is in addition to the \$6.3 billion already enacted for these activities for 2010.) Most of the requested \$33.0 billion would fund the additional 30,000 troops that are deploying to Afghanistan, raising the total number of troops in the country to about 100,000 by this summer. The budget also requests \$159.3 billion for military operations in 2011 to support operations in Afghanistan and Iraq. This request assumes the number of troops in Afghanistan will remain at about

the 100,000 level until midsummer 2011, at which time forces will be gradually withdrawn. The budget also requests \$10.7 billion in diplomatic and foreign aid operations for Afghanistan, Pakistan, and Iraq for 2011 in State Department's "base" budget.

**Mandatory Proposal for Concurrent Receipt** — The budget proposes to allow military retirees who are medically retired (those who have served less than twenty years) to concurrently receive military retirement and VA disability benefits. Under current law these benefits offset. The Administration estimates this benefit change will result in additional outlays totaling roughly \$5 billion over ten years. Because this proposal affects mandatory spending, it would be subject to the Pay-As-You-Go rules in both the House and Senate. These rules require any mandatory spending or revenue initiative that worsens the deficit be paid for by either cutting other mandatory spending or raising revenues.

## **Atomic Energy Defense Activities**

The budget proposes \$17.8 billion for the nuclear weapons-related activities of DOE and other agencies. This is \$1.2 billion, or 7.2 percent, above the enacted level for 2010.

**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 \$2.7 billion for these programs for 2011, which is a 25.8 percent increase above the enacted level for 2010. Part of this increase – \$217 million – reflects more funding for the disposal of surplus weapons-grade plutonium in the U.S. (\$113 million of which is for the Pit Disassembly and Conversion Facility, a program previously funded within the Weapons Activities account). The rest of the increase includes an additional \$100 million to support plutonium disposition in Russia and \$225 million for the Global Threat Reduction Initiative to accelerate efforts to dispose of all vulnerable nuclear materials around the world within four years.

**Weapons Activities** — This program maintains the safety and reliability of nuclear weapons in the absence of underground tests. The budget requests \$7.0 billion for weapons activities, which reflects a \$624 million (9.8 percent) increase above the 2010 enacted level. The increase would fund programs that directly support the nuclear weapon stockpile, including scientific, technical and engineering activities to ensure the reliability of the stockpile.

**Cleanup of Former Weapons Production Sites** — The budget proposes \$5.6 billion for the accounts dedicated to environmental activities, primarily the cleanup of nuclear and other hazardous waste, at DOE's weapons production sites. This level is \$54 million, or 1 percent, below the enacted level for 2010.

# VETERANS

The President’s budget proposes \$57.2 billion in appropriations for 2011 for America’s 23 million veterans and their families – \$48.2 billion of which Congress has already appropriated in advance. The budget is \$4.0 billion (7.5 percent) more than the 2010 level of \$53.3 billion (excluding supplemental funding and medical care collections). The Department of Veterans Affairs (VA) accounts for 99.5 percent of appropriations for veterans (\$57.0 billion for 2011).

## Increases Veterans’ Health Care Funding

The budget includes \$48.2 billion for medical care for 2011 that Congress already enacted in advance. This level is \$3.7 billion (8.2 percent) more than 2010 appropriations for VA’s medical services, facilities, and support and compliance. VA projects additional resources for 2011 of \$3.4 billion that it will collect from third parties. VA estimates that, in 2011, it will provide an estimated 6.1 million patients with care. The budget also proposes \$50.6 billion in advance appropriations for 2012 – about \$2.4 billion (5.0 percent) more than 2011 – to serve 6.2 million patients.

The budget proposes to use its increased 2011 funding for these veterans’ health care initiatives:

- Expand access to medical care for rural veterans, women veterans, and for moderate-income veterans who were previously denied enrollment in VA’s health care system;
- Care for some 439,000 Iraq and Afghanistan veterans with \$2.6 billion (up \$597 million);
- Strengthen VA’s specialized care for veterans with special psychological and cognitive health needs by investing \$5.2 billion (up \$410 million);
- Reduce veteran homelessness dramatically with \$799 million (up \$265 million); and
- Increase long-term care services by providing \$6.8 billion (up \$859 million).

### Appropriated Funding for Veterans

(in billions of dollars)

	Enacted		President's Budget	
	2009	2010	2011	2012
<b>Regular appropriations</b>	47.8	53.3	57.2	59.9
<i>Advance appropriations for medical care (non-add)</i>	-	-	48.2	50.6
<b>Supplemental appropriations</b>	1.6	-	-	-
<b>Total</b>	<b>49.4</b>	<b>53.3</b>	<b>57.2</b>	<b>59.9</b>

Note: This table does not include additional resources from VA's collections from third parties for veterans' medical care. VA estimates that these collections will be \$3.0 billion for 2010 and \$3.4 billion for 2011.

## **Invests in Veterans' Benefits and VA Construction**

**Veterans Benefits Administration** — The budget for 2011 includes \$2.1 billion (up \$460 million, or 27.2 percent) and some 2,000 additional personnel to respond to increased workload due to Iraq and Afghanistan operations, new Agent Orange presumptive conditions, and new Post-9/11 GI Bill education benefits for veterans.

**Paperless Claims Processing** — The budget proposes \$145 million to continue VA's initiative to use information technology to increase the speed and accuracy of its processing of veterans' claims.

**Concurrent Receipt of Benefits** — The budget proposes allowing highly-disabled veterans who are medically retired from service to receive VA disability and military retirement benefits concurrently.

**Construction** — The budget reduces new construction resources to \$1.7 billion for 2011, \$293 million (14.4 percent) less than 2010. The budget proposes \$1.0 billion for medical facilities construction. The budget also includes \$107 million in new resources for national cemetery construction and proposes that VA expand access to national cemeteries for eligible veterans.

# HOMELAND SECURITY AND LAW ENFORCEMENT

## 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 \$72.5 billion for homeland security activities for 2011, \$1.7 billion more than the 2010 enacted level. These totals reflect mandatory and discretionary resources, including homeland security funding for DoD and homeland security 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 2011 total \$39.7 billion. The 2011 domestic total reflects a \$1.2 billion (3.1 percent) increase above the 2010 level.

### Homeland Security Funding

(in billions of dollars)

	<b>Enacted</b>			
	<b>2010</b>	<b>2011</b>	<b>Increase</b>	<b>% Change</b>
<b>Total Resources (Excl. Emergencies/Supps)</b>	70.8	72.5	1.7	2.4
Mandatory Programs	2.6	2.6	0.1	2.2
Fee-Funded Discretionary Programs	5.5	5.8	0.3	4.8
Net Appropriated Programs:	62.7	64.1	1.4	2.2
<i>National Defense (Function 050)</i>	24.1	24.2	0.1	0.4
<i>International Affairs</i>	0.1	0.2	0.1	82.5
<b><i>Domestic Discretionary</i></b>	<b>38.5</b>	<b>39.7</b>	<b>1.2</b>	<b>3.1</b>

**Aviation Security** — The budget requests \$5.6 billion for aviation security, which is \$346 million (6.6 percent) above the enacted level for 2010. The request supports the procurement and installation of 1,000 Advanced Imaging Technology (AIT) scanners at airports and new explosive detection equipment for screening baggage.

**State and Local Programs for First Responders** — The budget proposes \$2.8 billion within DHS for three first responder grant programs: the State Homeland Security Program, the Urban Area Security Initiative, and the Firefighters Assistance Grants program. This request is \$113 million, or 4.3 percent, above the amount enacted for these programs for 2010. Of the amount provided for the State Homeland Security Program, \$50 million is requested for Operation Stonegarden, a program to enhance cooperation and coordination between federal, state, local, and tribal law enforcement agencies.

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### First Responder Grant Programs

(in millions of dollars)

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	<u>2010</u>	<u>2011</u>	<u>Increase/ Decrease</u>
State Homeland Security	950	1,050	100
Urban Area Security Initiative	887	1,100	213
Firefighter Assistance Grants	<u>810</u>	<u>610</u>	<u>-200</u>
<b>Total</b>	<b>2,647</b>	<b>2,760</b>	<b>113</b>

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### Support for Law Enforcement in Our Communities

**Community Oriented Policing Services** — The budget proposes a \$102 million decrease from the 2010 level for the Community Oriented Policing Services (COPS) program, while requesting \$600 million for COPS hiring grants that allow communities to add or retain police officers. That level is a \$302 million increase above the 2010 hiring grants program and builds off of the \$1.0 billion provided in the Recovery Act, all of which aids in the President’s commitment to hire an additional 50,000 police officers.

**Byrne Justice Assistance Grant Program** — The Administration proposes to maintain funding for the Byrne Justice Assistance Grant program (Byrne-JAG) at the 2010 level of \$519 million. Byrne-JAG supports almost all aspects of the local criminal justice system, including training and equipping law enforcement officers and funding drug task forces.

## INTERNATIONAL AFFAIRS

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The President's budget proposes \$58.5 billion for diplomacy and foreign assistance for 2011, which is \$7.9 billion (15.6 percent) more than appropriations enacted for 2010. The budget also proposes supplemental funding of \$4.5 billion for 2010 for Iraq, Afghanistan, and Pakistan. (If the proposed supplemental funding is included in the calculations, the 2011 request represents an increase of \$3.5 billion, or 6.3 percent, above the 2010 level.) The budget does not propose supplemental funding for Haiti relief, but the President has indicated he might do so.

### **Increases Funding for Global Health and Food Security**

**Global Health and Child Survival** — The budget proposes \$8.5 billion for international health assistance, which is \$734 million (9.4 percent) more than 2010. This funding includes \$6.8 billion for international HIV/AIDS, tuberculosis, and malaria activities – \$241 million (3.7 percent) above 2010.

**Hunger and Food Security** — The budget proposes a total of \$1.8 billion for 2011 for agricultural development and nutrition programs as a part of a multi-year plan to lift people out of poverty and reduce child malnutrition. This total includes \$1.2 billion for the Department of State and the Agency for International Development (USAID). This funding is part of the Development Assistance budget, which the President proposes to increase to \$2.9 billion – \$461 million (18.1 percent) more than 2010.

### **Promotes U.S. National Security and Global Engagement**

**Iraq, Afghanistan, and Pakistan** — The 2011 budget proposes \$10.7 billion for diplomacy, economic assistance, law enforcement, and military aid. The budget for 2011 would build on proposed 2010 supplemental funding of \$4.5 billion, along with regular 2010 funding of \$6.3 billion.

**Security Assistance** — The budget proposes \$7.1 billion for foreign military assistance, peacekeeping operations, international military education and training, and counterinsurgency. This level is \$2.4 billion (52.5 percent) more than 2010, due largely to Pakistan counterinsurgency funding.

**Foreign Service Personnel** — The budget proposes to increase personnel at the State Department by 410 foreign service officers and to add 200 officers to the ranks of USAID. The budget also proposes to increase the Peace Corps' funding by \$46 million (11.5 percent) to \$446 million as it seeks to achieve the level of 11,000 volunteers by 2016.

**Millennium Challenge Corporation (MCC)** — The budget proposes \$1.3 billion for MCC for 2011 – \$175 million (15.8 percent) more than 2010 for special partnerships with select developing nations.

**Climate Change** — The budget proposes \$646 million for the State Department and USAID to help developing nations limit greenhouse gas emissions and adapt to climate change. The President requests \$244 million for adaptation, \$203 million for clean energy, and \$200 million for sustainability initiatives – including, for example, renewable energy projects and electricity distribution systems.

# ENERGY AND THE ENVIRONMENT

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The President's budget proposes \$41.4 billion in appropriations for 2011 for renewable energy, energy efficiency, natural resources, and environmental protection. These areas received \$41.7 billion for 2010 and \$61.3 billion in Recovery Act and other supplemental funding for 2009. The 2011 budget total request includes \$5.7 billion for renewable energy, energy efficiency, and related programs of the Energy Department (DOE). This level is \$458 million (8.8 percent) more than 2010. For natural resources and environmental protection, the budget proposes \$35.7 billion, which is \$807 million (2.2 percent) less than 2010 – primarily due to a cut to the Army Corps of Engineers. The budget also proposes to reduce greenhouse gas emissions and help American families and businesses move toward greater U.S. energy independence and reliance on clean, renewable sources of energy.

## Invests in Clean, Renewable Energy Sources

**Energy Efficiency and Renewable Energy** — The budget proposes \$2.4 billion for wind, solar, and several other renewable energy sources for 2011, which is \$113 million (5.0 percent) more than 2010. Major increases in this area of the budget would include:

- Wind Energy: \$123 million (up \$43 million, or 53.1 percent);
- Solar Energy: \$302 million (up \$55 million, or 22.4 percent);
- Weatherization and State Assistance: \$385 million (up \$115 million, or 42.6 percent); and
- Vehicle Technologies: \$325 million (up \$14 million, or 4.5 percent).

**Nuclear Energy** — The budget proposes \$824 million for nuclear power, which is \$37 million (4.8 percent) more than 2010. In addition, the budget proposes to triple the size of DOE's loan guarantee program for developing new facilities to \$54.5 billion, which DOE estimates could support the construction of seven to ten new reactors. At the same time, the budget proposes to eliminate funding for the nuclear waste repository at Yucca Mountain, Nevada. DOE plans to withdraw the facility's license application and establish a blue-ribbon commission to consider alternatives. The budget also would end the Nuclear Power 2010 and Generation IV initiatives of the prior Administration.

**Research** — The budget proposes \$300 million for the Advanced Research Projects Agency-Energy (ARPA-E) for 2011 and moves it out of DOE's Office of Science. Congress declined to provide 2010 funding for ARPA-E after providing it with \$389 million for 2009 in the Recovery Act.

**Reductions for Hydrogen Technology and Fossil Fuels** — The budget proposes reducing hydrogen and fuel cell technologies funding to \$137 million – \$37 million (21.3 percent) less than 2010. The budget also proposes to reduce fossil fuels research funding to \$760 million for 2011 – \$191 million (20.1 percent) less than 2010. The budget proposes repealing the ultra-deepwater oil and gas research and development program to save \$20 million for 2011 and \$200 million over ten years. Additionally, the budget proposes the elimination of tax subsidies for oil, gas, and coal producers valued at \$2.8 billion for 2011 and \$38.8 billion over ten years. See *Tax Policy* for further details.

## Focuses Natural Resources Funding on Energy Independence

**Department of the Interior (DOI)** — The budget proposes \$12.0 billion in appropriations for DOI for 2011 – \$119 million (1.0 percent) less than 2010 – while focusing resources on increasing U.S. energy independence. Important initiatives include:

- New Energy Frontier: \$534 million (up \$27 million, or 5.4 percent) for this multi-bureau initiative to spur renewable energy development and responsible energy exploration;
- Climate Change Adaptation: \$171 million (up \$35 million, or 26.0 percent) for a cross-bureau initiative led by the Geological Survey and the Fish and Wildlife Service; and
- WaterSMART: \$73 million (double the 2010 level) for a joint program of the Bureau of Reclamation and the Geological Survey to improve water sustainability and management.

The budget proposes the following funding levels for key DOI programs and bureaus:

- Land and Water Conservation Fund: \$619 million (up \$140 million, or 29.2 percent), partially funded through the Department of Agriculture;
- Geological Survey: \$1.1 billion (up \$22 million, or 0.2 percent);
- Bureau of Land Management: \$1.1 billion (up \$8 million, or 0.7 percent);
- Fish and Wildlife Service: \$1.6 billion (down \$5 million, or 0.3 percent);
- National Park Service: \$2.7 billion (down \$22 million, or 0.8 percent); and
- Bureau of Indian Affairs: \$2.6 billion (down \$54 million, or 2.0 percent).

**Forest Service** — The budget proposes \$5.4 billion for the Agriculture Department's forest management activities, which is \$61 million (1.1 percent) more than 2010. This level includes a contingency reserve of \$282 million for wildland fire suppression to be used if the \$1.2 billion in appropriated 10-year average funding is exhausted.

**Army Corps of Engineers** — The budget proposes \$4.9 billion for 2011, which is \$565 million (10.4 percent) less than 2010. The construction budget is \$1.7 billion, or \$339 million (16.7 percent) less than 2010.

**National Oceanic and Atmospheric Administration (NOAA)** — The budget proposes \$5.6 billion for the Commerce Department's weather forecasting, climate monitoring, fisheries management, and ocean activities through NOAA. This level is \$701 million (14.4 percent) more than 2010 funding.

## Supports the Environment and Reducing Greenhouse Gas Emissions

**Environmental Protection Agency (EPA)** — The budget proposes \$10.0 billion for EPA, which is \$278 million (2.7 percent) less than 2010. However, the budget proposes a 14.3 percent increase for grants to assist states and tribes with their clean air and water efforts, up \$160 million to \$1.3 billion.

**Greenhouse Gas (GHG) Emissions** — The budget requests an additional \$44 million for EPA's climate change regulatory efforts as part of \$169 million proposed for reducing GHG emissions. It includes \$25 million for states to process GHG emissions permits for upgrades by large industrial emitters.

# SAFETY NET

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The President's budget proposes to continue a select group of economic recovery provisions and to provide targeted increases in certain temporary safety net programs that experience high use when the economy is down.

## Extensions of Recovery Act Provisions

The budget includes a placeholder of \$49.0 billion to cover costs of further extending the temporary Unemployment Insurance programs currently authorized through February 28, 2010. It also requests \$2.5 billion for the Temporary Assistance for Needy Families (TANF) emergency contingency fund, which is available to states that increased their TANF spending in cash assistance, employment-related services, or other related services. The budget also proposes to waive for one additional year (on top of the provision enacted in the Recovery Act) the time limit for certain recipients of SNAP (the Supplemental Nutrition Assistance Program, formerly Food Stamps). The budget also proposes to extend the Making Work Pay credit for calendar year 2011. The Making Work Pay credit refunds employee payroll tax contributions up to \$400 for a single filer and \$800 for married couples. This provision is estimated to cost \$61.2 billion in total over 2010 and 2011.

## Supports for Families

**Early Childhood** –The budget proposes a substantial investment in resources devoted to early childhood, proposing an increase of \$1.6 billion in child care subsidies for 2011 compared with the 2010 level. Half of this funding (\$800 million) is requested through the appropriations process and half would be provided as a reauthorization of the child care entitlement to states (\$800 million in 2011 and \$11 billion over ten years). The budget also proposes \$8.2 billion for Head Start, an increase of \$989 million over the 2010 enacted level. This funding level is projected to serve approximately 971,000 children up to age five in 2011, and includes \$118 million dedicated to improving quality in the Head Start program.

**Support for Low-Income Families** – The budget requests a one-year extension of all TANF programs, including TANF supplemental grants for states experiencing population increases and the TANF contingency fund. It also proposes a new Fatherhood, Marriage, and Families Innovation Fund and proposes to continue the federal match for Child Support Enforcement incentive payments for 2011. As noted above, the budget also requests \$2.5 billion in additional TANF emergency contingency funding, and requests additional flexibility for the emergency contingency funding provided in the Recovery Act.

The budget proposes \$3.3 billion in discretionary funding for the Low-Income Home Energy Assistance Program (LIHEAP), a reduction of \$1.8 billion (or 35 percent) compared with 2010, and re-proposes a mandatory LIHEAP trigger that would provide automatic increases in emergency assistance in response to energy price spikes and the number of households in poverty.

## Nutrition

The budget requests \$7.6 billion for the Supplemental Nutrition Program for Women, Infants and Children (WIC) program, which provides nutritious supplemental food packages to ten million low-income at-risk pregnant and post-partum women, infants and children. The budget continues to propose an additional \$10 billion over ten years above current services levels for reauthorization of the child nutrition programs, which includes school lunch and breakfast, after-school and summer food, and WIC.

## Housing and Community Development

**Affordable Housing**— The 2008 American Communities Survey (ACS) found that 8.7 million renting households paid more than 50 percent of their income in rent, up from 8.3 million households in 2007. To address the needs of these families along with those in substandard housing, the budget proposes targeted increases in funding for the two main rental assistance programs in the Department of Housing and Urban Development (HUD). First, the budget proposes to fund the Housing Choice Voucher program at \$19.4 billion, a 7.0 percent increase from the 2010 level, to maintain enrollment of approximately 2 million families residing in the neighborhood of their choice. Second, the budget proposes \$9.3 billion for project-based rental assistance, an increase of 8.5 percent over the prior year. This appropriation supports 1.3 million families living in decent, safe, and sanitary affordable housing. The budget proposes a reduction in the Public Housing Capital Fund of \$451 million, from \$2.5 billion in 2010.

The budget also implements the Homeless Emergency Assistance Rapid Transition to Housing (HEARTH) Act by merging the three current homeless programs and requesting an increase of \$182 million for approximately 10,000 new permanent housing beds. The budget proposes to suspend new projects in 2011 under the Housing for the Elderly (Section 202) and Housing for the Disabled (Section 811) programs. This would reduce total spending from both sources of funds from \$1.1 billion in 2010 to \$360 million in 2011. The budget reduces the HOME Investment Partnerships Program by \$174 million (9.6 percent) compared with 2010. The budget also proposes \$350 million for a new Transforming Rental Assistance initiative, which will facilitate conversion of public housing to project-based vouchers that emphasize renter mobility, and re-proposes capitalizing the Affordable Housing Trust Fund at \$1.0 billion over ten years.

**The Community Development Fund and Infrastructure Bank** – The budget funds the Community Development Fund at \$4.3 billion. Within the Community Development Fund allocation, the budget would allocate \$150 million for the Sustainable Communities Initiative and \$150 million for new Catalytic Investment Competition Grants for distressed communities. The budget requests \$4.0 billion in 2011 for a National Infrastructure Innovation and Finance Fund to be housed at the Department of Transportation. A similar proposal was included in the 2010 President's request as an independent agency.

**Cobell Settlement** – The budget requests \$3.4 billion for the Cobell v. Salazar settlement agreement. This includes \$2 billion for a new trust land consolidation fund and \$1.4 billion for settlement of

claims. The Cobell settlement results from a lawsuit related to the management of individual Indian trust accounts related to Indian lands. This settlement agreement is pending Congressional action and final approval by the court.

## **Tax Credits and Other Income Security**

**Expansion of Tax Credits for Families** – The budget proposes a number of changes to taxes for families with children. It proposes to permanently extend the changes made to the Child Tax Credit and Earned Income Credit in the 2001 and 2003 tax cuts and the Recovery Act. It would extend the Making Work Pay credit through calendar year 2011, and would expand the Dependent Care Tax Credit for taxpayers who take care of a child or a qualifying adult that resides with them. Currently, the Dependent Care Tax Credit starts to phase out for families making \$15,000 or more. This proposal would raise the phase-out limit to \$85,000 and would result in additional benefits of \$12.6 billion over ten years.

**Other Income Security** – The budget proposes \$103 million to create an initiative at the Administration on Aging to provide additional caregiver services and home and community-based supportive services. The budget states that the Administration is working to establish a practical, national asset limit floor of \$10,000 across means-tested human services, food, and cash assistance programs. The budget reflects the effect of adopting this policy in SNAP, which costs \$9.4 billion over ten years. The budget also proposes to exclude all tax refunds from being counted as assets in federal means-tested programs for the month of receipt and the following 12 months.

# TRANSPORTATION

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The President's budget proposes \$77.6 billion in total discretionary resources, both budget authority and obligation limitations, for the Department of Transportation (DOT) for 2011 – a \$1.6 billion increase over 2010. The Department includes programs for highways, mass transit, aviation, rail, and maritime activities. The combination of current appropriations, the President's request, and a likely infrastructure component in the President's proposed jobs package would build on the \$48.1 billion in Recovery Act funding that will continue to flow to states through this upcoming summer construction season.

## **Extension of SAFETEA-LU While a Surface Transportation Reauthorization Takes Shape**

The President's budget proposes to extend the expiring highway and transit authorization through March 2011 in order to provide time to craft the policy and financing for the next reauthorization. The budget therefore proposes obligation levels for highways (\$41.4 billion) and transit (\$8.6 billion) that are only small increases over 2010 enacted appropriations – about 1 percent and 3.5 percent, respectively. Further, the budget assumes that general revenues of the Treasury will fill an expected shortfall of \$1.4 billion in the Highway Account of the Highway Trust Fund by the end of Fiscal Year 2010 and an expected total highway and transit shortfall of \$13.8 billion in 2011. Under the expiring authorization, projected fuel tax revenue dedicated to the Highway Trust Fund is unable to keep pace with current spending, creating the shortfall. Beginning in 2012, the budget displays the level of obligations that the Highway Trust Fund can support with fuel tax revenue, while all funding above the Trust Fund's projected resources is provided as discretionary budget authority.

## **A National Infrastructure Innovation and Finance Fund**

The budget proposes \$4 billion in 2011 and \$25 billion over five years for a National Infrastructure Innovation and Finance Fund that invests in infrastructure projects of national or regional significance. The direct grants or credit assistance would leverage additional state, local, and private sector investment in transportation projects or transportation-related components of larger community development projects.

## **Investments in Passenger Rail**

The Administration proposes to continue two significant investments in passenger rail that connects both workers and families to distant cities. First, the request includes \$1.6 billion for Amtrak in combined capital, debt service, and operating grants in 2011. In addition, the budget requests \$1 billion as the second installment of the President's five-year, \$5 billion investment in high speed

rail corridors. This commitment of continued funding would be in addition to the \$8 billion provided in the Recovery Act for high speed rail.

## **Easing Congestion in the Skies**

In the on-going effort to upgrade the country's air traffic control system, the budget requests \$1.1 billion for the FAA's Next Generation Air Transportation System (NextGen). The upgrade of the ground-based radar system to a satellite-based tracking system would improve the efficiency, accuracy, and safety of air traffic control.

# RESEARCH, SCIENCE, AND TECHNOLOGY

Investments in research, science, and technology foster economic growth, create high-tech jobs, and help our businesses lead in a global economy. The President's 2011 budget proposes increases for innovative research, refocuses National Aeronautics and Space Administration (NASA) funding, and enhances funding for the National Institutes of Health (NIH).

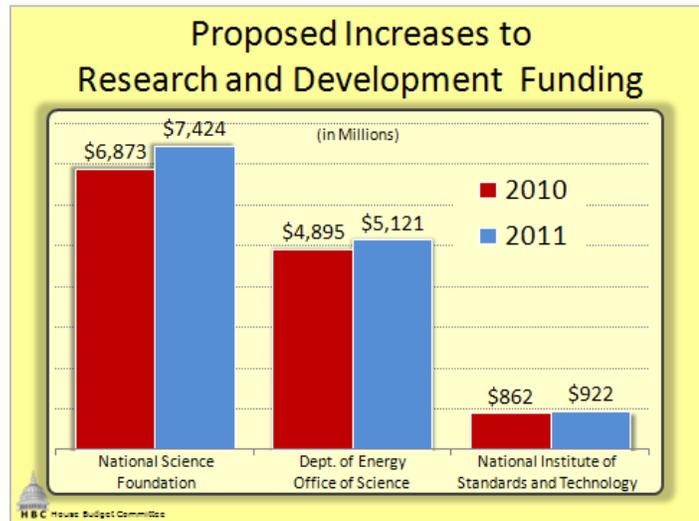
## Research and Development Increases

The budget proposes increases for civilian research and development as part of an initiative to maintain the global competitiveness of the nation's economy. The National Science Foundation, the Department of Energy's (DOE's) Office of Science, and the National Institute of Standards and Technology are requested to receive increased funding for innovative research.

### National Science Foundation (NSF) —

The budget proposes \$7.4 billion for NSF for 2011, an increase of \$551 million or 8.0 percent over 2010. The budget would double funding to \$90 million for basic research aimed at creating a future bio-economy. The National Science Foundation plans to dedicate at least 5.0 percent or \$19 million of the proposed funding for undergraduate and graduate assistance for students in programs pursuing clean energy. The budget proposes to increase funding for sustainability research by almost

15.9 percent or \$105 million. The budget requests an increase of 14.0 percent (\$103 million) for comprehensive science and technology workforce programs targeting minority students.



**DOE Office of Science** — Funding for the Department of Energy's Office of Science is proposed to increase by 4.6 percent or \$226 million. The increased funding would target national needs for science in the areas of energy, climate, and the environment. Also, the budget proposes to expand the Early Career Research Program and the Graduate Fellowship Program.

**National Institute of Standards and Technology (NIST)** — The budget proposes \$922 million for NIST, which is an increase of \$60 million or 7.0 percent over 2010. This proposed funding includes \$712 million for labs and construction of research facilities, \$130 million for the Hollings Manufacturing Extension Partnership, and \$80 million for the Technology Innovation Partnership.

## **Refocusing NASA Funding**

The budget proposes to fund NASA at \$17.8 billion for the science, exploration, and space operations portions of the budget, reflecting a 2.1 percent decrease from the 2010 level. The budget would end the Constellation program, which would have sent astronauts back to the moon and on to Mars. The Constellation program will be replaced with new approaches to human space flight that support the commercial spaceflight industry, extend the life of the International Space Station, and invest in critical and transformative technologies.

## **National Institutes of Health (NIH) Enhancements**

The budget requests a program level of \$32.1 billion for NIH, which is \$1.0 billion or 3.2 percent above the 2010 level. Every institute within NIH is proposed to receive fairly comparable percentage increases in the budget, and these increased resources are slated to fund investments in genomics, translational research, biomedical research, and global health. The proposed budget allocates 83 percent of the funding to universities, medical schools, hospitals, and other research facilities, while roughly 11 percent of the budget would support physicians and scientists working at NIH's 27 institutes and centers. The proposed high-priority areas for NIH are cancer and autism.

# AGRICULTURE

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**Proposed Changes to Mandatory Farm Programs** — The President’s budget proposes net savings in mandatory agriculture spending of \$2.8 billion over ten years after setting a \$460 million placeholder for the settlement of ongoing class action discrimination suits against the Department of Agriculture (USDA). The savings would come principally from tightening limits on commodity payments, reducing funding of the Market Access Program, and imposing new user fees. In addition, the budget shows a further reduction in mandatory spending of \$8.0 billion over ten years as a result of USDA regulatory action required by the 2008 Farm Bill to renegotiate the Standard Reinsurance Agreement with private companies participating in the Federal Crop Insurance Program.

**Tightening Limits on Commodity Payments** — The budget proposes reducing the cap on direct payments by 25.0 percent and reducing the Adjusted Gross Income (AGI) payment eligibility limits by \$250,000 over three years. USDA estimates that only a very small fraction of program participants would be affected by these changes. The changes would be phased in when the economy is stronger and would save \$2.3 billion over ten years.

**Market Access Program** — The budget proposes cutting funding of the Market Access Program by 20.0 percent, saving \$366 million over ten years. The Administration believes that the Market Access Program partially overlaps with other USDA trade promotion programs and the President’s National Export Initiative.

**Grain Inspection, Packers, and Stockyards Administration (GIPSA)** — The budget proposes establishing a fee to cover the costs associated with GIPSA’s standardization activities and a licensing fee to cover the costs associated with administering meat packers and stockyards activities. This proposal would save \$315 million over ten years.

**Animal and Plant Health Inspection Service (APHIS)** — The budget proposes implementing new fees for APHIS, which would collect \$291 million in fees over ten years. The fees are intended to cover the costs associated with animal welfare inspections, licensing veterinary biologics, and issuing permits for safe testing of biotechnologically derived products.

**Proposed Changes to Appropriated Programs** — The budget proposes \$6.6 billion for discretionary agriculture appropriations in 2011, which represents a \$333 million (4.8 percent) reduction from 2010 enacted levels. As part of the National Export Initiative, the budget proposes a \$78 million increase (41.7 percent) for the Foreign Agriculture Service’s (FAS) main salaries account. The FAS administers a host of programs that support the development, maintenance, and expansion of commercial export markets for U.S. agricultural products. The budget also requests \$1.7 billion for salaries and expenses of the Farm Service Agency – which administers farm credit, disaster assistance, export, and commodity programs – for an increase of \$116 million (7.4 percent). To achieve savings, the budget proposes eliminating the 2010 Dairy Price Support program, which would reduce discretionary spending by \$350 million. The budget also proposes cancelling existing balances approved for Agricultural Research Service facilities construction and providing no new funding, which would reduce appropriations by \$147 million relative to 2010 enacted levels.

## APPENDIX – OMB TABLES

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**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**

**Administrative Savings**

**Program Integrity Savings**

**Table S-4. Proposed Budget by Category**  
(In billions of dollars)

												<b>Totals</b>		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
<b>Outlays:</b>														
Appropriated ("discretionary") programs:														
Security .....	782	855	895	827	811	825	845	862	885	907	931	955	4,203	8,743
Non-security .....	437	553	520	475	456	457	465	475	486	497	511	529	2,373	4,871
Subtotal, appropriated programs .....	1,219	1,408	1,415	1,301	1,267	1,283	1,310	1,337	1,371	1,405	1,442	1,484	6,576	13,614
Mandatory programs:														
Social Security .....	678	715	730	762	801	845	893	945	1,002	1,064	1,130	1,201	4,030	9,373
Medicare .....	425	451	491	501	556	623	652	724	757	791	881	953	2,822	6,927
Medicaid .....	251	275	297	274	292	313	336	362	389	419	451	487	1,512	3,619
Troubled Asset Relief Program (TARP) <sup>1</sup> .....	151	-73	11	10	7	6	3	1	*	*	.....	.....	37	39
Allowance for jobs initiatives .....	.....	12	25	8	3	2	.....	.....	.....	.....	.....	.....	38	38
Allowance for health reform <sup>2</sup> .....	.....	6	-7	-17	2	30	72	101	100	100	104	106	80	590
Other mandatory programs .....	607	737	619	570	547	546	544	563	567	568	616	637	2,826	5,775
Subtotal, mandatory programs .....	2,112	2,123	2,165	2,107	2,208	2,364	2,500	2,696	2,815	2,942	3,182	3,384	11,344	26,363
Net interest .....	187	188	251	343	436	510	571	627	681	733	786	840	2,110	5,777
Disaster costs <sup>3</sup> .....	.....	1	3	4	4	4	5	5	5	5	5	5	21	46
Total outlays .....	3,518	3,721	3,834	3,755	3,915	4,161	4,386	4,665	4,872	5,084	5,415	5,713	20,051	45,800
<b>Receipts:</b>														
Individual income taxes .....	915	936	1,121	1,326	1,468	1,604	1,733	1,856	1,980	2,102	2,223	2,338	7,253	17,752
Corporation income taxes .....	138	157	297	366	393	445	411	449	463	473	486	502	1,913	4,285
Social insurance and retirement receipts:														
Social Security payroll taxes .....	654	635	674	720	766	809	856	911	954	1,000	1,044	1,084	3,825	8,819
Medicare payroll taxes .....	191	180	192	208	223	237	251	267	280	293	307	318	1,112	2,578
Unemployment insurance .....	38	51	60	67	73	77	79	79	78	77	76	77	357	743
Other retirement .....	8	9	8	9	9	9	9	9	9	9	9	10	43	89
Excise taxes .....	62	73	74	81	85	87	88	89	90	90	91	92	415	867
Estate and gift taxes .....	23	17	25	23	24	26	28	30	32	35	37	40	124	298
Customs duties .....	22	24	27	32	35	37	39	42	44	47	49	52	170	404
Deposits of earnings, Federal Reserve System .....	34	77	79	67	59	52	48	50	52	55	57	59	305	578
Allowance for jobs initiatives .....	.....	-12	-25	-8	-3	-2	.....	.....	.....	.....	.....	.....	-38	-38
Allowance for health reform <sup>2</sup> .....	.....	.....	16	18	39	58	74	86	93	101	110	119	204	712
Other miscellaneous receipts .....	18	18	17	17	17	18	18	18	18	18	19	19	87	180
Total receipts .....	2,105	2,165	2,567	2,926	3,188	3,455	3,634	3,887	4,094	4,299	4,507	4,710	15,771	37,288
<b>Deficit .....</b>	<b>1,413</b>	<b>1,556</b>	<b>1,267</b>	<b>828</b>	<b>727</b>	<b>706</b>	<b>752</b>	<b>778</b>	<b>778</b>	<b>785</b>	<b>908</b>	<b>1,003</b>	<b>4,280</b>	<b>8,532</b>

**Table S-4. Proposed Budget by Category—Continued**

(In billions of dollars)

												Totals		
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2011-2015	2011-2020
On-budget deficit .....	1,550	1,634	1,363	949	863	852	910	952	952	959	1,075	1,153	4,937	10,028
Off-budget surplus (-) .....	-137	-78	-96	-120	-136	-146	-158	-175	-174	-174	-167	-151	-656	-1,496
Primary deficit .....	1,226	1,368	1,016	486	291	196	181	151	97	52	123	163	2,170	2,755
Net interest .....	187	188	251	343	436	510	571	627	681	733	786	840	2,110	5,777
Memorandum, funding ("budgetary resources") for appropriated programs:														
Security .....	824	855	879	798	819	840	864	885	906	929	953	978	4,198	8,849
Non-security .....	689	447	441	446	446	459	472	479	489	502	517	538	2,265	4,789
Total, appropriated funding .....	1,513	1,302	1,320	1,244	1,265	1,299	1,336	1,363	1,395	1,431	1,470	1,515	6,464	13,638

Note: Figures displayed in the table do not reflect the impact of any recommendations from the Fiscal Commission.

\* \$500 million or less.

<sup>1</sup> Outlays for TARP in 2011 and subsequent years result from obligations for the Home Affordable Modification Programs, and other estimated TARP obligations incurred through October 3, 2010.

<sup>2</sup> Reflects on-budget effects only. See Table S-8 for further detail.

<sup>3</sup> 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<sup>1</sup>**  
 (Budgetary resources in billions of dollars)

	2009 Actual					Totals				
	Non-ARRA	ARRA <sup>2</sup>	2010 Enacted	2011 Request	2012	2013	2014	2015	2011-2015	2011-2020
<b>Base Discretionary Resources by Agency:</b>										
<b>Security Agencies:</b>										
Defense (DOD) .....	513.2	7.4	530.8	548.9	566.4	581.8	597.8	616.0	2,910.9	6,255.3
Energy - National Nuclear Security Administration .....	9.1	.....	9.9	11.2	11.6	11.9	12.4	12.9	60.0	126.6
Homeland Security (DHS) <sup>3</sup> .....	42.1	2.8	39.4	43.6	44.2	44.8	45.3	46.7	224.6	481.4
Veterans Affairs <sup>4</sup> .....	47.6	1.4	53.1	57.0	59.7	61.3	63.0	64.7	305.6	659.7
State and Other International Programs <sup>5</sup> .....	38.1	0.4	50.6	58.5	65.7	69.0	71.2	73.6	337.9	716.4
<b>Subtotal, Security Agencies .....</b>	<b>650.1</b>	<b>12.0</b>	<b>683.7</b>	<b>719.2</b>	<b>747.5</b>	<b>768.7</b>	<b>789.7</b>	<b>814.0</b>	<b>3,839.0</b>	<b>8,239.4</b>
<b>Non-Security Agencies:</b>										
Agriculture <sup>5</sup> .....	22.6	6.9	25.0	23.9	24.6	24.5	25.2	26.0	124.2	266.2
Commerce .....	9.4	7.8	13.9	8.9	9.1	8.8	8.5	8.8	44.2	101.0
<i>Census Bureau</i> .....	3.1	1.0	7.2	1.3	1.1	1.2	1.3	1.5	12.1	23.9
Education <sup>6</sup> .....	41.4	81.1	46.8	49.7	50.1	50.2	51.4	52.7	254.1	537.5
Energy (excluding National Nuclear Security Administration) .....	16.9	36.7	16.5	17.1	17.1	17.2	17.7	18.3	87.5	186.2
Health and Human Services (HHS) <sup>7</sup> .....	77.6	22.4	84.1	83.5	82.4	80.7	83.1	85.5	415.1	881.1
Housing and Urban Development .....	40.0	13.6	43.6	41.6	41.3	42.0	44.1	45.3	214.3	464.1
Interior .....	11.3	3.0	12.2	12.0	11.9	11.8	12.2	12.5	60.3	126.6
Justice .....	26.0	4.0	27.5	24.1	28.5	28.0	29.0	29.9	139.5	291.8
Labor .....	12.9	4.8	14.3	14.0	13.5	13.1	13.3	13.5	67.4	138.4
State and Other International Programs <sup>5</sup> .....	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.6	1.3
Transportation .....	70.5	48.1	76.0	77.6	79.2	80.6	82.1	84.7	404.2	824.5
<i>Budget Authority (BA)</i> .....	16.8	48.1	21.8	22.8	70.0	33.8	39.0	41.2	206.6	418.1
<i>Obligation Limitations</i> .....	53.7	.....	54.2	54.8	9.3	46.8	43.1	43.6	197.6	406.4
Treasury .....	12.6	0.3	13.6	13.9	14.1	14.5	15.1	15.9	73.6	158.9
Corps of Engineers .....	5.3	4.6	5.4	4.9	4.7	4.6	4.7	4.8	23.6	49.3
Environmental Protection Agency .....	7.6	7.2	10.3	10.0	9.4	8.8	8.6	8.5	45.4	89.0
General Services Administration .....	0.6	5.9	0.6	0.7	0.6	0.6	0.6	0.7	3.2	6.8
National Aeronautics and Space Administration .....	17.8	1.0	18.7	19.0	19.4	20.0	20.6	21.0	100.0	212.7
National Science Foundation .....	6.5	3.0	6.9	7.4	7.8	8.3	8.9	9.5	41.9	96.9
Small Business Administration .....	0.6	0.7	0.8	1.0	1.0	0.9	0.9	1.0	4.8	9.9
Social Security Administration <sup>7</sup> .....	8.5	1.1	9.3	10.1	10.5	10.9	11.4	11.7	54.7	117.6
Corporation for National and Community Service .....	0.9	0.2	1.2	1.4	1.7	2.0	2.3	2.6	10.0	26.9
Other Agencies .....	18.6	0.3	19.4	20.2	19.2	18.6	19.1	19.5	96.6	202.0
<b>Subtotal, Non-Security Discretionary Budget Authority ....</b>	<b>354.1</b>	<b>253.1</b>	<b>392.1</b>	<b>386.4</b>	<b>437.1</b>	<b>399.4</b>	<b>416.0</b>	<b>428.7</b>	<b>2,067.6</b>	<b>4,382.5</b>

**Table S-11. Funding Levels for Appropriated (“Discretionary”) Programs by Agency<sup>1</sup>—Continued**  
(Budgetary resources in billions of dollars)

	2009 Actual				Totals						
	Non-ARRA	ARRA <sup>2</sup>	2010 Enacted	2011 Request	2012	2013	2014	2015	2011–2015	2011–2020	
<b>Subtotal, Non-Security Discretionary Budgetary Resources</b> .....	407.8	253.1	446.3	441.3	446.4	446.2	459.1	472.3	2,265.2	4,788.9	
<b>Other Discretionary Funding (not included above):</b>											
Overseas Contingency Operations <sup>8</sup> .....	145.9	.....	130.0	159.3	50.0	50.0	50.0	50.0	359.3	609.3	
Defense .....	145.7	.....	129.6	159.1	50.0	50.0	50.0	50.0	359.1	609.1	
Homeland Security .....	0.3	.....	0.2	0.3	.....	.....	.....	.....	0.3	0.3	
Justice .....	.....	.....	0.1	.....	.....	.....	.....	.....	.....	.....	
<b>Other Enacted Supplemental or Emergency Funding</b> .....	44.1	.....	0.4	.....	.....	.....	.....	.....	.....	.....	
Agriculture .....	1.4	.....	0.4	.....	.....	.....	.....	.....	.....	.....	
Energy .....	7.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	
Health and Human Services .....	10.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	
State and Other International Programs .....	13.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	
Department of Transportation .....	3.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	
Corps of Engineers-Civil Works .....	6.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	
Other Agencies .....	0.9	.....	.....*	.....	.....	.....	.....	.....	.....	.....	
<b>Proposed 2010 Supplemental Funding</b> .....	.....	.....	41.1	.....	.....	.....	.....	.....	.....	.....	
Defense (includes Overseas Contingency Operations) .....	.....	.....	33.0	.....	.....	.....	.....	.....	.....	.....	
Homeland Security .....	.....	.....	3.6	.....	.....	.....	.....	.....	.....	.....	
State and Other International Programs .....	.....	.....	4.5	.....	.....	.....	.....	.....	.....	.....	
<b>Grand Total, Discretionary Budget Authority</b> .....	1,194.2	265.1	1,247.3	1,265.0	1,234.6	1,218.1	1,255.7	1,292.6	6,266.0	13,231.2	
<b>Grand Total, Discretionary Budgetary Resources</b> .....	1,248.0	265.1	1,301.5	1,319.8	1,243.9	1,264.9	1,298.8	1,336.2	6,463.6	13,637.6	

\* \$50 million or less.

<sup>1</sup>Although the Budget shows discretionary funding in nominal terms, the Administration conceives of discretionary growth rates in inflation-adjusted terms. If inflation projections are revised from what is currently projected, future budgets would be expected to adjust funding levels up or down accordingly. (This statement does not apply to funding growth between 2010 and the 2011 budget year, since the appropriations process for 2011 must begin immediately and before inflation assumptions will be revisited. It also does not apply to the outyear BA for overseas contingency operations, which is a placeholder and does not represent a policy determination.)

<sup>2</sup>“ARRA” refers to the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

<sup>3</sup>The DHS level includes \$1.8 billion for BioShield in 2009 and a -\$3.0 billion transfer in 2010 of BioShield balances to HHS.

<sup>4</sup>The Veterans Affairs total is net of medical care collections.

<sup>5</sup>The 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.

<sup>6</sup>Adjusted for advance appropriations, 2009 funding for the Department of Education is \$46.2 billion. All numbers exclude funding for Pell Grants.

<sup>7</sup>Funding 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 HHS total and not in the Social Security Administration total. Additionally, the HHS total includes \$0.4 billion and \$3.0 billion in 2009 and 2010, respectively, for transfer of the BioShield program in DHS.

<sup>8</sup>The Budget includes placeholder estimates of \$50 billion per year for Overseas Contingency Operations in 2012 and beyond. These estimates do not reflect any specific policy decisions.

**Table S-13. Economic Assumptions**  
(Calendar years)

	2008 Actual	Projections											
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
<b>Gross Domestic Product (GDP):</b>													
Nominal level, billions of dollars .....	14,441	14,252	14,768	15,514	16,444	17,433	18,446	19,433	20,408	21,373	22,329	23,312	24,323
Percent change, nominal GDP, year/year .....	2.6	-1.3	3.6	5.1	6.0	6.0	5.8	5.3	5.0	4.7	4.5	4.4	4.3
Real GDP, percent change, year/year .....	0.4	-2.5	2.7	3.8	4.3	4.2	4.0	3.6	3.2	2.8	2.6	2.5	2.5
Real GDP, percent change, Q4/Q4 .....	-1.9	-0.5	3.0	4.3	4.3	4.2	3.9	3.4	3.1	2.7	2.6	2.5	2.5
GDP chained price index, percent change, year/year .....	2.1	1.2	0.9	1.2	1.6	1.7	1.7	1.7	1.8	1.8	1.8	1.8	1.8
<b>Consumer Price Index<sup>1</sup>, percent change, year/year .....</b>													
	3.8	-0.3	1.9	1.5	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.1
<b>Unemployment rate, civilian, percent<sup>2</sup> .....</b>													
	5.8	9.3	10.0	9.2	8.2	7.3	6.5	5.9	5.5	5.3	5.2	5.2	5.2
<b>Interest rates, percent:</b>													
91-day Treasury bills <sup>3</sup> .....	1.4	0.2	0.4	1.6	3.0	4.0	4.1	4.1	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes .....	3.7	3.3	3.9	4.5	5.0	5.2	5.3	5.3	5.3	5.3	5.3	5.3	5.3

Note: A more detailed table of economic assumptions is in Chapter 2, "Economic Assumptions," in the *Analytical Perspectives* volume of the Budget, Table 2-1.

<sup>1</sup> Seasonally adjusted CPI for all urban consumers.

<sup>2</sup> Annual average.

<sup>3</sup> Average rate, secondary market (bank discount basis).

## DISCRETIONARY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS

(Budget authority in millions of dollars)

Terminations	2010 Enacted	2011 Request	2011 Change from 2010
Anthrax Vaccine Research, Department of Health and Human Services .....	3	.....	-3
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 Scholarship, Department of Education .....	42	.....	-42
C-17 Transport Aircraft Production, Department of Defense .....	2,500	.....	-2,500
Challenge Cost Share Grants, Department of the Interior .....	19	.....	-19
Children and Families Services' Job Demonstration Program, Department of Health and Human Services .....	3	.....	-3
Christopher Columbus Fellowship Foundation .....	1	.....	-1
Constellation Systems Program, National Aeronautics and Space Administration .....	3,466	.....	-3,466
Delta Health Initiative, Department of Health and Human Services .....	35	.....	-35
Denali Commission, Department of Health and Human Services .....	10	.....	-10
Economic Action Program, Department of Agriculture .....	5	.....	-5
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
ESEA Consolidations, Department of Education .....	.....	.....	.....
Harry S. Truman Scholarship Foundation .....	1	.....	-1
Health Care Facilities and Construction, Department of Health and Human Services .....	338	.....	-338
Health Care Services Grant Program, Department of Agriculture .....	3	.....	-3
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
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 Partnership Program, Department of Education .....	64	.....	-64
Local Government Climate Change Grants, Environmental Protection Agency .....	10	.....	-10
Multifamily Housing Revitalization Demonstration Program, Department of Agriculture .....	27	.....	-27
Navy CG(X) Cruiser, Department of Defense .....	46	.....	-46
Net Enabled Command Capability (NECC), Department of Defense .....	9	.....	-9
Public Broadcasting Grants, Department of Agriculture .....	5	.....	-5
Public Telecommunications Facilities Grants, Department of Commerce .....	20	.....	-20
Rail Line Relocation Grants, Department of Transportation .....	34	.....	-34
Rehabilitation Act Program Consolidations, Department of Education .....	.....	.....	.....
Resource Conservation and Development Program, Department of Agriculture .....	51	.....	-51
Rural Community Facilities, Department of Health and Human Services .....	10	.....	-10
Save America's Treasures and Preserve America (NPS), Department of the Interior .....	30	.....	-30
Surface Transportation Priorities, Department of Transportation .....	293	.....	-293
Targeted Airshed Grants, Environmental Protection Agency .....	20	.....	-20
Targeted Water Infrastructure Grants, Environmental Protection Agency .....	157	.....	-157
Tech Prep Consolidation, Department of Education .....	.....	.....	.....
Third Generation Infrared Surveillance Program (3GIRS), Department of Defense .....	73	.....	-73
Unconventional Fossil Technology Program, Department of Energy .....	20	.....	-20
Underground Railroad Educational and Cultural, Department of Education .....	2	.....	-2
Voice of America, Broadcasting Board of Governors .....	3	.....	-3
Water and Wastewater Treatment, Corps of Engineers .....	129	.....	-129
WATERS Network, National Science Foundation .....	4	.....	-4
Watershed and Flood Prevention Program, Department of Agriculture .....	30	.....	-30
Yucca Mountain Nuclear Waste Repository, Department of Energy .....	197	.....	-197
<b>Total, Discretionary Terminations .....</b>	<b>8,357</b>	<b>.....</b>	<b>-8,357</b>

**DISCRETIONARY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS**

(Budget authority in millions of dollars)

Reductions	2010 Enacted	2011 Request	2011 Change from 2010
Agricultural Research Service Buildings and Facilities, Department of Agriculture .....	71	-76	-147
Alaska Conveyance, Department of the Interior .....	34	21	-13
Bureau of Labor Statistics - Current Employment Statistics, Department of Labor .....	59	57	-2
Bureau of Labor Statistics - National Compensation Survey (Includes Locality Pay Surveys Component), Department of Labor .....	60	52	-8
Bureau of Public Debt, Department of the Treasury .....	192	186	-6
Capital Improvement and Maintenance Program, Department of Agriculture .....	538	438	-100
Command Ship Replacement (LCC-R), Department of Defense .....	.....	.....	.....
Commission of Fine Arts .....	10	5	-5
Community Facilities Grants, Department of Agriculture .....	45	30	-15
Emergency Steel Guaranteed Loan Program, Department of Commerce .....	.....	-43	-43
EPA Homeland Security Activities, Environmental Protection Agency .....	155	120	-35
Expeditionary Fighting Vehicle, Department of Defense .....	293	243	-50
Fair Housing Activities Program, Department of Housing and Urban Development .....	72	61	-11
Financial Management Service, Department of the Treasury .....	244	235	-9
Great Lakes Restoration Initiative, Environmental Protection Agency .....	475	300	-175
Hazardous Fuels Reduction, Department of the Interior .....	206	162	-44
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	90	-210
Housing for the Elderly, Department of Housing and Urban Development .....	825	274	-551
Information Technology Efficiencies, Department of the Interior .....	.....	-20	-20
Light-Duty Sedans Added to the FBI's Fleet, Department of Justice .....	63	59	-4
Low-Priority Corps Construction Projects, Corps of Engineers .....	214	.....	-214
National Heritage Areas, Department of the Interior .....	18	9	-9
North American Wetlands Conservation Grants, Department of the Interior .....	48	43	-5
Right-size Component Personnel Travel Budgets, Department of Justice .....	470	450	-20
Strategic Sourcing, Department of the Interior .....	.....	-30	-30
Travel and Relocation Reform, Department of the Interior .....	.....	-12	-12
<b>Total, Discretionary Reductions .....</b>	<b>6,217</b>	<b>4,304</b>	<b>-1,913</b>
Other Savings			
Coinage Material, Department of the Treasury* .....	.....	.....	.....
<b>Total, Discretionary Terminations, Reductions, and Other Savings .....</b>	<b>14,574</b>	<b>4,304</b>	<b>-10,270</b>

\* The Coinage Materials savings proposal is included in 2011 appropriations language, under Administrative Provisions -- Department of the Treasury. If enacted, the proposal would reduce the cost of metals used to produce coins. Using alternative coinage materials could save up to an estimated \$150 million annually after an initial period of development and capital adjustments. Under long-standing budget concepts, the savings would be scored as an increase in seigniorage, which would reduce the Government's need to borrow. For technical reasons increased seigniorage does not offset discretionary budget authority.

### MANDATORY TERMINATIONS, REDUCTIONS, AND OTHER SAVINGS

(Outlays and receipts in millions of dollars)

Terminations	2011	2012	2013	2014	2015	2011-2015	2011-2020
Abandoned Mine Lands Payments to Certified States, Department of the Interior .....	-115	-171	-177	-176	-97	-736	-1,241
Advanced Earned Income Tax Credit, Department of the Treasurer .....	-120	-72	-70	-69	-68	-399	-760
Coal Tax Preferences, Department of Energy							
Expensing of Exploration and Development Costs .....	-32	-55	-49	-45	-45	-226	-413
Percent Depletion for Hard Mineral Fossil Fuels .....	-57	-98	-102	-106	-109	-472	-1,062
Royalty Taxation .....	-18	-25	-48	-67	-78	-236	-751
Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels .....	-3	-5	-5	-5	-6	-24	-57
Commodity Storage Payments, Department of Agriculture .....	-2					-2	-2
Entitlements for Financial Intermediaries Under the Federal Family Education Loan Program, Department of Education .....	-8,034	-6,527	-4,458	-3,098	-2,975	-25,092	-43,294
Grants to Manufacturers of Worsted Wool, Department of Commerce .....	-5	-5	-5	-5	-5	-25	-25
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 .....	-1,202	-1,582	-1,089	-914	-848	-5,635	-7,839
Repeal Deduction For Tertiary Injectants, Department of Energy .....	-5	-9	-9	-8	-7	-38	-67
Repeal Exception to Passive Loss Limitations For Working Interests In Oil and Natural Gas Properties, Department of Energy .....	-20	-24	-19	-18	-17	-98	-180
Repeal Percentage Depletion for Oil and Natural Gas Wells, Department of Energy .....	-522	-895	-933	-969	-1,009	-4,328	-10,026
Repeal Domestic Manufacturing Tax Deduction for Oil and Natural Gas Companies, Department of Energy .....	-851	-1,470	-1,559	-1,650	-1,742	-7,272	-17,314
Increase Geological and Geophysical Amortization Period for Independent Producers to Seven Years, Department of Energy .....	-44	-160	-246	-231	-177	-858	-1,110
Oil and Gas Research and Development Program, Department of Energy .....	-20	-40	-50	-50	-30	-190	-200
Telecommunications Development Fund, Federal Communications Commission .....	-7	-7	-7	-6	-6	-33	-63
<b>Total, Mandatory Terminations .....</b>	<b>-11,057</b>	<b>-11,145</b>	<b>-8,826</b>	<b>-7,417</b>	<b>-7,219</b>	<b>-45,664</b>	<b>-84,404</b>
Reductions							
Commodity Payments to Wealthy Farmers, Department of Agriculture .....	-1	-172	-201	-241	-245	-860	-2,263
Market Access Program, Department of Agriculture .....	-8	-38	-40	-40	-40	-166	-366
Terrorism Risk Insurance Program, Department of the Treasury .....	-26	-42	-102	-134	-74	-378	-249
Uniform Criteria for Special Monthly Pension, Department of Veterans Affairs .....	-3	-6	-10	-13	-16	-48	-181
<b>Total, Mandatory Reductions .....</b>	<b>-38</b>	<b>-258</b>	<b>-353</b>	<b>-428</b>	<b>-375</b>	<b>-1,452</b>	<b>-3,059</b>
Other Savings							
Consolidated Regulation of Federally-Chartered Commercial Depository Institutions and Repeal Thrift Charter .....							
FECA Reform, Department of Labor .....	-10	-14	-7	-10	-20	-61	-310
<b>Total, Other Savings .....</b>	<b>-10</b>	<b>-14</b>	<b>-7</b>	<b>-10</b>	<b>-20</b>	<b>-61</b>	<b>-310</b>
<b>Total, Mandatory Terminations, Reductions, and Other Savings .....</b>	<b>-11,105</b>	<b>-11,417</b>	<b>-9,186</b>	<b>-7,855</b>	<b>-7,614</b>	<b>-47,177</b>	<b>-87,773</b>

**ADMINISTRATIVE SAVINGS**

(in millions of dollars)

	2010	2011	2010-2014
<b>Department of Agriculture</b>			
Save Money When Collecting Money .....	-0.100	-0.240	-1.000
<b>Department of Defense</b>			
Air Force - Cellular Airtime Optimization .....	0.000	-2.000	-8.300
Army - Streamlining the Army's Unemployment Compensation Process .....	-15.100	-15.300	-76.000
Navy - Streamlining Administrative Support on Navy Ships .....	0.000	*	*
<b>Department of Education</b>			
Common Sense Administrative Savings .....	-0.365	-0.365	-1.825
<b>Department of Energy</b>			
Increased Use of Video Teleconferencing Technology .....	0.000	-3.000	-10.000
<b>Department of Housing and Urban Development</b>			
Streamline Redundant Inspection of Subsidized Housing .....	0.000	-0.550	-2.200
<b>Department of Labor</b>			
"Power Off" Computers .....	-0.020	-0.040	-0.727
<b>Department of the Treasury</b>			
Eliminate Paper Paystubs .....	0.000	-1.500	-6.000
<b>Department of Veterans Affairs</b>			
Allow Veterans To Keep Their Medication When They're Discharged .....	-0.045	-2.000	-14.545
Oracle Enterprise License Agreement .....	-9.926	-40.243	-117.750
Personal Computer Power Savings .....	-2.194	-6.890	-32.484
<b>Environmental Protection Agency</b>			
Space Consolidation for Rent Savings .....	0.000	-0.240	-0.960
<b>Social Security Administration</b>			
Make Social Security Appointments Online .....	0.000	-0.150	-0.850
<b>Consumer Product Safety Commission</b>			
Shipment Policy Adjustment .....	-0.005	-0.010	-0.045
<b>TOTAL</b> .....	<b>-27.755</b>	<b>-72.528</b>	<b>-272.686</b>

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)

	2011	2012	2013	2014	2015	2011- 2015	2011- 2020
<b>Savings from Discretionary Allocation Adjustments:</b>							
Centers for Medicare and Medicaid Services, Department of Health and Human Services .....	-740	-860	-910	-960	-1,000	-4,470	-9,870
Disability Insurance and Supplemental Security Income Programs, Social Security Administration ...	-651	-2,347	-3,538	-4,315	-5,251	-16,102	-57,838
IRS Tax Enforcement, Department of the Treasury (receipts) .....	-385	-1,164	-2,355	-3,955	-6,015	-13,874	-62,217
Unemployment Insurance, Department of Labor .....	-88	-184	-202	-222	-241	-937	-2,296
<b>Total, Savings from Discretionary Allocation Adjustments:</b>	<b>-1,864</b>	<b>-4,555</b>	<b>-7,005</b>	<b>-9,452</b>	<b>-12,507</b>	<b>-35,383</b>	<b>-132,221</b>
<b>Savings from Mandatory/Receipt Legislative Proposals:</b>							
Expand CMS Program Integrity Authority, Department of Health and Human Services .....	-109	-213	-1,121	-1,250	-1,418	-4,111	-13,079
Levy Payments to Federal Contractors with Delinquent Debt, Department of the Treasury (receipts)	-138	-202	-205	-214	-187	-946	-2,001
Unemployment Insurance, Department of Labor (outlays and receipts) .....	.....	-264	-366	-300	-281	-1,211	-2,350
WEP/GPO Enforcement Provision, Social Security Administration .....	.....	.....	.....	-172	-375	-547	-2,909
<b>Total, Savings from Mandatory/Receipt Legislative Proposals .....</b>	<b>-247</b>	<b>-679</b>	<b>-1,692</b>	<b>-1,936</b>	<b>-2,261</b>	<b>-6,815</b>	<b>-20,339</b>
<b>Total, Program Integrity Savings .....</b>	<b>-2,111</b>	<b>-5,234</b>	<b>-8,697</b>	<b>-11,388</b>	<b>-14,768</b>	<b>-42,198</b>	<b>-152,560</b>