



U.S. HOUSE OF REPRESENTATIVES

# COMMITTEE ON THE BUDGET

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## Highlights of the President's Fiscal Year 2014 Budget

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April 12, 2013

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.
- 2014 discretionary funding levels are compared with the 2012 enacted level because the 2013 level is not yet established. Congress enacted full-year funding bills for 2013 – generally continuing the 2012 level – on March 26, but those levels are then subject to a small across-the-board reduction as well as to sequestration, which requires an across-the-board cut of 5.0 percent to all non-defense discretionary programs and of 7.9 percent to discretionary defense programs. Agencies have not yet finalized operating plans that specify the levels for every program, project and activity cut by the sequester. The President’s budget repeals the sequester for 2013 and all subsequent years.
- 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 Budget Control Act of 2011 is referred to as the BCA.
- Funding levels for discretionary programs are stated in budget authority, and funding levels for direct spending programs represent outlays unless otherwise noted.
- Numbers in tables may not add due to rounding.

# TABLE OF CONTENTS

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OVERVIEW .....	1
JOBS, INFRASTRUCTURE, AND ECONOMIC GROWTH .....	2
DEFICIT REDUCTION .....	4
TAX POLICY .....	7
EDUCATION .....	10
SCIENCE, R&D, ENERGY AND THE ENVIRONMENT .....	12
HEALTH CARE .....	13
SAFETY NET .....	20
NATIONAL SECURITY .....	22
ECONOMIC ASSUMPTIONS.....	25
APPENDIX: OMB SUMMARY TABLES.....	26

# OVERVIEW

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Democrats and Republicans in Congress have put forward their budget proposals, and this week President Obama presented his plan to boost job growth and reduce the long-term deficit in a balanced way. The President's budget request for fiscal year 2014 contains differences with the House and Senate Democratic budgets.

The President's budget cuts the deficit by \$1.8 trillion over ten years, reducing the deficit to 1.7 percent of the economy – Gross Domestic Product (GDP) – by 2023 and putting debt as a percent of GDP on a downward path starting in 2016. To continue the country's economic recovery, the budget replaces the sequester and includes a package of upfront proposals to create jobs and enhance the nation's infrastructure. Within the tight discretionary spending caps, it prioritizes funding for vital programs.

New initiatives and changes include:

- a multi-year \$75 billion universal preschool initiative with states, along with expansion of highly effective home-visiting program for at-risk children – fully paid for by raising tobacco taxes from \$1.01 to \$1.95 per cigarette pack;
- a multi-agency initiative dedicating new resources to school safety, mental health, and prevention of gun violence;
- changing the formula used to calculate cost-of-living-adjustments for Social Security and some other programs, as well as for tax brackets and other revenue provisions;
- increasing the minimum wage to \$9 per hour along with other jobs proposals;
- new revenue proposals, including reinstating the estate and gift tax at 2009 levels, which raises \$72 billion; installing a Buffett Rule to ensure that the wealthiest pay no less than 30 percent of their income in taxes, which raises \$53 billion; and limiting tax-preferred retirement benefits to \$3 million to prevent wealthy individuals from amassing fortunes in IRAs tax-free, which raises \$9 billion;
- a jobs package with upfront funding and tax relief designed to grow the economy by creating needed jobs and enhancing the country's infrastructure;
- expanding the Federal Employee Health Benefit Program to cover health benefits for domestic partners; and
- moving student loans from fixed interest rates to variable market-based rates that remain fixed for the life of the loan, and expanding repayment options and benefits.

The President's choices to grow the economy and make the country stronger are in stark contrast to the House-passed Republican budget. The Republican budget reduces jobs and slows economic growth, slashes critical investments in our future, and breaks our promises to seniors by converting Medicare into a voucher at the same time it protects tax breaks for special interests and the very wealthy.

# JOBS, INFRASTRUCTURE, AND ECONOMIC GROWTH

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The President's budget aims to grow the economy now, while we are still recovering from the recession and too many Americans still cannot find work. First, it saves jobs simply by replacing the sequester in all years, as the Congressional Budget Office (CBO) has estimated that leaving the sequester in place will cost us 750,000 jobs this year alone. Second, the budget includes initiatives to create jobs and enhance the country's infrastructure. In contrast, the House-passed Republican budget leaves the sequester in place for all years and does not include a jobs package. Some of the President's major jobs initiatives include the following:

**Transportation and infrastructure** — The budget includes a significant investment in transportation infrastructure as a key component of the jobs initiative as well as longer-term initiatives.

- **Transportation jobs** — The budget calls for an immediate \$50 billion transportation initiative to finance upfront infrastructure projects. This includes \$40 billion for "Fix it First" projects, immediate investments that emphasize reducing the backlog of deferred maintenance of our highways, bridges, transit systems and airports. Another \$10 billion is set aside for competitive programs to encourage innovative reforms and high-value infrastructure projects.
- **Infrastructure bank** — The budget provides \$10 billion to capitalize a National Infrastructure Bank. These funds would leverage additional private and public investments for infrastructure of national or regional significance.
- **Passenger rail** — The budget sets aside \$40 billion for high-speed and other passenger rail systems. The budget calls for a five-year rail authorization that would create a new Rail Account to complement the Highway Trust Fund's existing Highway and Mass Transit accounts. The Rail Account would not be financed by any revenues currently dedicated for highways and mass transit.
- **Surface transportation reauthorization** — The budget also provides \$88 billion to finance increases in highway and transit programs in a new highway bill beginning in 2015.
- **Project Rebuild** — It includes \$15 billion for Project Rebuild to create jobs through rehabilitating or redeveloping abandoned or blighted properties in neighborhoods across all 50 states.

**Job training** — The budget provides \$12.5 billion in 2013 for a Pathways Back to Work Fund to support employment for long-term unemployed and low-income adults as well as low-income youth, and \$4 billion for states to use a variety of strategies to target reemployment assistance to the long-term unemployed, including those receiving Emergency Unemployment Compensation. (Apart from its jobs package, the budget also includes \$27 billion over ten years for a new program to provide training and reemployment services for displaced workers, and \$8 billion for an initiative to provide job training through state partnerships with community colleges.)

**Education jobs** —The budget supports education jobs by providing \$12.5 billion in 2013 to help prevent teacher layoffs and \$5 billion in 2013 to improve the teaching profession. It also creates construction jobs and improves school facilities with \$10 billion over ten years to increase the federal subsidy rate on America Fast Forward Bonds for school construction.

**Tax relief to create jobs** —The budget provides \$33 billion over ten years in tax credits to spur growth, including \$26 billion for a temporary 10 percent tax credit for small businesses that create new jobs and increase wages. It also includes \$17 billion in tax relief for infrastructure investments, which includes the school construction bonds mentioned above. (Additional revenue changes are described in the “Tax Policy” section.)

**Manufacturing** — The budget includes several provisions to continue recent progress in creating manufacturing jobs in addition to its designated jobs package. It provides \$1 billion to launch a network of up to 15 manufacturing innovation institutions across the United States, building on a pilot program launched last year. It includes funds to help competitively designated manufacturing communities invest in infrastructure projects, industrial parks, and research facilities. The budget also includes funds for Manufacturing Technology Acceleration Centers, which are industry-specific centers that can help firms participate in key supply chains.

**First responder jobs** —The budget includes \$5 billion to preserve first responder jobs and support the hiring and retention of public safety personnel. Of this total, \$4 billion will provide immediate assistance for the retention, rehiring, and hiring of police officers. The remaining \$1 billion will be awarded through the Department of Homeland Security’s First Responder Stabilization Fund to support hiring, rehiring, or retention of firefighters and emergency management personnel.

**Veterans Job Corps** — The budget provides \$1 billion for an interagency Veterans Job Corps to employ up to 20,000 veterans over five years on projects to rebuild and protect America.

# DEFICIT REDUCTION

The House Republican budget reduces the deficit by doubling the cuts to non-defense discretionary funding – investments that will help our economy grow such as education, transportation and infrastructure, science and research – and breaking our promises to seniors and others by repealing the Affordable Care Act prescription drug coverage while gutting Medicaid and converting Medicare into a voucher. The President’s budget chooses a different path, replacing the sequester in all years but reducing the deficit by a greater amount through a mix of spending cuts and revenue. These policies reduce the deficit to 1.7 percent of GDP by 2023 and put debt as a percent of GDP on a downward path starting in 2016.

<b>President's 2014 Budget Totals in Billions of Dollars</b>											
<i>(OMB Estimates)</i>											
	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Receipts</b>	2,712	3,034	3,332	3,561	3,761	3,974	4,226	4,464	4,709	4,951	5,220
<b>Outlays</b>	<u>3,685</u>	<u>3,778</u>	<u>3,908</u>	<u>4,090</u>	<u>4,247</u>	<u>4,449</u>	<u>4,724</u>	<u>4,967</u>	<u>5,209</u>	<u>5,470</u>	<u>5,660</u>
<b>Deficit</b>	973	744	576	528	487	475	498	503	501	519	439
<b>% of GDP</b>	6.0%	4.4%	3.2%	2.8%	2.4%	2.3%	2.3%	2.2%	2.1%	2.1%	1.7%

During negotiations on the fiscal cliff in December, the President offered a compromise on a number of deficit reduction proposals. These compromises produce \$1.8 billion in savings over ten years (2014-2023), which is greater than the deficit reduction that would have come through sequestration. Some of the major components include the following:

**Discretionary spending cuts** — Starting in 2017, the budget lowers both defense and non-defense discretionary caps by almost equal amounts, for total savings of \$202 billion.

**Health savings** — The budget reduces health care spending by \$401 billion over ten years through a variety of changes affecting Medicare, Medicaid, and the Federal Employees Health Benefits Program (FEHBP). This includes savings of \$307 billion from policies affecting Medicare provider payments; \$64 billion in savings from policies affecting Medicare beneficiaries, primarily from increasing income-related premiums; \$19 billion in net savings from Medicaid through policies affecting providers, drug companies, and device manufacturers; and \$8 billion from changes to FEHBP.

**Savings from changing the cost-of-living adjustment for non-means-tested benefits** — The budget includes \$230 billion in savings from moving to use the chained consumer price index (CPI) to calculate cost-of-living-adjustments (COLAs) for Social Security and some other federal programs, as well as for tax brackets and other revenue provisions. Chained CPI would not be used for most means-tested programs or for poverty-line calculations. The change raises \$100 billion in revenues and reduces spending by \$130 billion, with the bulk of the spending savings from reduced Social Security COLAs.

**Revenue proposals** — As part of its \$1.8 trillion in deficit reduction, the budget raises \$683 billion in revenue through three proposals: limiting the value of certain tax expenditures to 28 percent of

deductible expenses (\$529 billion); implementing a Buffett Rule (\$53 billion, but the Office of Management and Budget (OMB) notes it would be scored at \$99 billion without the 28 percent limitation proposal); and \$100 billion from indexing the tax code to chained CPI starting in 2015, due to greater bracket creep. The 28 percent limitation proposal is the same as last year and the Buffett Rule levies a minimum 30 percent tax rate on income for millionaires (less a credit for charitable donations) and assumes a phase-in for those with \$1 million to \$2 million of adjusted gross income.

**Other mandatory savings** —The budget includes additional savings, including:

- **Pension Benefit Guaranty Corporation (PBGC)** – PBGC provides insurance to protect individuals who participate in private defined-benefit pension plans. Last year, Congress increased the premiums that employers pay for their plans. However, PBGC’s insurance funds continue to be underfunded. The budget includes an additional \$25 billion in premium increases. Under the proposal, the PBGC Board would have the authority to establish new premiums and would be instructed to change the current premium structure to further take into account the risk associated with individual sponsors. The Board would take a year to study options, receive public comments, and develop a proposal to gradually phase in premium increases.
- **Transportation security fees** – The budget raises \$26 billion over ten years through increased Aviation Passenger Security Fees. The Transportation Security Administration would recover a greater portion of its costs while providing \$18 billion for deficit reduction.
- **Air traffic service fees** – The budget raises \$7 billion over ten years by instituting a \$100 per flight fee for each flight that uses controlled airspace. The fee would not apply to propeller-driven aircraft, military aircraft, public aircraft, and air ambulances.
- **Postal reform** – The budget provides the Postal Service with immediate financial relief and implements longer-term reforms to help return it to sustainability. This proposal would save more than \$20 billion over ten years.
- **Program integrity** – The budget includes a number of initiatives to ensure that only those entitled to benefits actually receive them and those that owe taxes pay them. The budget provides additional mandatory administrative funding that will allow the Social Security Administration to conduct more continuing disability reviews and redeterminations of eligibility, which have been shown to save \$9 for every \$1 spent. Health care fraud and abuse control is also beefed up with additional mandatory funding. The budget also funds new initiatives, through proposed increases to the discretionary caps especially for this purpose, for the Internal Revenue Service and unemployment insurance. It also includes a number of new tools to reduce improper payments, including limiting fraud related to the use of deceased individuals’ personal information and getting better information on pension payments from states and localities. Together, these program integrity initiatives achieve nearly \$80 billion in net savings for the deficit reduction package. The budget contains additional program integrity efforts, including improving Treasury debt collection efforts, which help offset policy initiatives.

- **Federal employees**—The budget increases pension contributions for current federal employees by 1.2 percentage points, phased in over 3 years in 0.4 percent installments, which raises \$20 billion over ten years. In addition, federal pension COLAs will be calculated using the chained CPI, which will result in smaller annual increases. (The budget also provides a 1 percent pay raise for federal employees, at a cost of \$18 billion over ten years.)

**Debt service savings** — The combination of all the changes in the President’s December compromise proposal will reduce federal debt service by about \$200 billion.

# TAX POLICY

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The budget raises a net \$1.1 trillion in revenues over ten years relative to its baseline, gradually increasing revenues to 20.0 percent of GDP by 2023 (compared to 19.8 percent in the House and Senate Democratic budgets). The President's budget raises nearly \$700 billion for deficit reduction (see "Deficit Reduction" section for more information). It raises additional sums to finance tax relief for families, tax cuts to jumpstart businesses and hiring, and tax incentives to spur the modernization of our national infrastructure. The budget raises new revenues to pay for initiatives like "Preschool for All" and finance revenue-neutral business tax reform. Unless otherwise specified, revenue figures given below are for the ten-year period 2014-23.

**The budget and the fiscal cliff deal** — December's fiscal cliff deal made permanent the middle class tax cuts for those with taxable incomes under \$400,000 (\$450,000 for married couples), indexed the Alternative Minimum Tax (AMT), made permanent a \$5 million estate tax exemption and 40 percent tax rate, and continued most "extenders" until the end of 2013. The deal also reinstated the 39.6 percent tax rate and a 20 percent top rate on capital gains and dividends on taxable incomes above \$400,000 (\$450,000 for married couples). The deal reinstated the phase-outs of personal exemptions (PEP) and itemized deductions (Pease) on adjusted gross incomes above \$250,000 (\$300,000 for married couples). The budget does not alter the thresholds and tax rates of the fiscal cliff deal.

- **Estate & gift tax** – In 2018, the budget would restore the estate and gift tax parameters to those in effect in 2009, i.e., reducing the estate tax exemption from \$5 million to \$3.5 million per spouse (without indexing the exemption to inflation) and raising the tax rate to 45 percent. The proposal would raise \$72 billion over ten years.
- **Recovery Act expansions of refundable tax credits** – The 2009 Recovery Act enhanced the child tax credit (\$3,000 refundability threshold) and the Earned Income Tax Credit (EITC) benefit for families with 3 or more children, enhanced marriage penalty relief, and created the American Opportunity Tax Credit for college (replacing the Hope tax credit). The fiscal cliff deal extended these enhancements through 2017. The budget permanently extends these provisions in its baseline.

**Tax cuts for businesses** – The budget directs \$33 billion in incentives over ten years to jumpstart growth and generate jobs by providing small businesses with a temporary 10 percent tax credit for new hires and wage increases (\$26 billion, of which \$20 billion is concentrated in 2014-15), providing additional tax credits for advanced energy manufacturing (\$2 billion), and designating "Promise Zones" (14 urban and rural areas to be designated, for \$5 billion).

**Tax Incentives for infrastructure** — The budget calls for \$17 billion of tax incentives for infrastructure. The centerpiece is a significant expansion of the "America Fast Forward Bonds" program (formerly called "Build America Bonds") that lowers state and local borrowing costs through direct subsidies to state and local government issuers. These Fast Forward bonds also provide a higher subsidy rate for school

construction. While these bonds provide an additional \$90 billion in subsidies, because they would displace other tax-exempt borrowing, the net cost is only \$10 billion over ten years. The budget also provides another \$7 billion in assorted tax incentives for highway/surface, water, and land infrastructure.

**Tax cuts for families and individuals** — The budget calls for \$29 billion in tax cuts, including \$18 billion for automatic IRAs, \$9 billion for the expanded child and dependent care tax credit, and almost \$3 billion to temporarily exclude the amount of mortgage debt and student loan forgiveness from taxable income.

**Additional incentives** — The budget provides \$9 billion of tax relief through tax simplification proposals ranging from rules for claiming children under the EITC to rules governing transfers of intangible assets between closely-related businesses or individuals. The budget provides another \$1 billion to promote trade and economic growth by extending the U.S. Generalized System of Preferences that provides preferential duty-free entry for various products imported from developing countries.

**Revenue increases** — The tax cuts above are financed by revenue raisers seen in past budgets, including returning to 2009 estate tax parameters and other estate tax reforms (\$79 billion total); imposing a financial crisis responsibility fee (\$59 billion); strengthening unemployment system solvency (\$51 billion); reinstating Superfund taxes (\$20 billion); making the Unemployment Insurance surtax permanent (\$15 billion); taxing carried interests as ordinary income (\$16 billion); various proposals to close the tax gap (\$29 billion, including an \$11 billion new proposal to index tax penalties to inflation), and new proposals to limit the total accrual of tax-favored retirement benefits (\$9 billion) and require certain beneficiaries of IRAs to take distributions over no more than 5 years (\$5 billion). The budget raises \$149 billion more than is needed to finance the tax cuts above – a sum that could offset the extension of the Recovery Act refundable tax credits assumed in its baseline.

**Business tax reform** – The President’s revenue-neutral business tax reform proposals are not reflected in the overall budget numbers. Those reforms would make \$241 billion of key tax extenders permanent, financed by up to \$335 billion in revenue raising proposals not included elsewhere in the budget. Small business as well as corporations would be affected by both the tax cuts and revenue increases.

- **Key tax cut provisions** – The budget would permanently install or extend the following: insourcing jobs (just \$112 million), a Manufacturing Communities tax credit (\$4 billion), the R&E credit (\$99 billion), a refundable renewable energy production tax credit (\$17 billion), Section 179 expensing for small businesses (which was not extended in the fiscal cliff deal, \$69 billion), small business tax credits for employee health insurance (\$10 billion), employment tax credits that include hiring incentives for veterans (\$9 billion), the New Markets tax credit (\$7 billion), a deduction for energy-efficient commercial building property (\$5 billion), and a tax credit for production of advanced technology vehicles (\$4 billion).
- **Key revenue raisers** – The budget would finance the tax cuts listed above by reforming the international tax system (\$157 billion total), including deferring deductions for interest expense until the associated earnings are repatriated (\$37 billion) and determining the foreign tax credit on a pooling basis (\$66 billion); repealing oil, gas, and coal tax preferences (\$44 billion);

repealing the LIFO method of accounting (\$81 billion); repealing lower-of-cost-or-market inventory accounting method (\$7 billion); repealing special depreciation for corporate jets (\$3 billion); a new proposal requiring mark-to-market and ordinary tax treatment for gains and losses on derivative contracts (\$19 billion); and a new proposal to repeal the section 404(k) employee stock ownership plan (ESOP) dividend deduction for large C corporations (\$7 billion).

The President's business tax reform does not reduce corporate tax rates or touch major tax expenditures like accelerated depreciation, R&D expensing, or the section 199 domestic production deduction – although the budget rhetorically calls for cutting the corporate rate and broadening the corporate tax base. The reform plan also does not impose a minimum tax on foreign profits (or contemplate moving the U.S. to a territorial system). The tax cuts – which focus on manufacturing, research, clean energy, and insourcing – are conditioned on enacting business tax reform. The key revenue raisers and loophole closers – oil & gas, international, and LIFO – are likewise tied to the event of revenue-neutral tax reform and not reflected in the budget's numbers. Finally, the budget only extends a few key tax “extenders” and would require that the others (e.g., the deduction for state and local general sales taxes, Subpart F active financing, and several dozen other temporary provisions) be fully paid for or be allowed to expire after calendar 2013.

# EDUCATION

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The budget increases education funding substantially, including a new \$75 billion ten-year initiative to support preschool for all four-year-olds. For 2014, appropriations for the Department of Education increase by \$2.5 billion for preschool through secondary education, and by almost \$500 million for post-secondary funding compared with the 2012 level (which is generally carried forward in 2013, before cuts from the sequester; the President's budget repeals the sequester in all years). The budget also includes new and expanded education tax credits to make college more affordable and to spur job growth through school construction, as well a mandatory funding for education jobs.

**Early childhood initiative** — The budget provides \$75 billion in mandatory funding over ten years for a new partnership with states to provide all four-year-olds with access to preschool, helping children start their education right and saving parents the cost of child care. Only 3 out of 10 children are enrolled in high-quality preschool even though research shows that every \$1 invested in high-quality preschool saves more than \$7 in the future. The Preschool for All initiative, as well as expansion of an early childhood home visiting program for at-risk children, will be fully paid for by raising cigarette taxes by 94 cents per pack. The budget provides \$750 million in appropriations for 2014 for a competitive grant program to build states' capacity to implement the Preschool for All program.

**Education jobs** — The budget provides up-front funding for education jobs, including \$12.5 billion in 2013 to help prevent teacher layoffs and \$5 billion in 2013 to bolster the teaching profession through reforms to training, evaluation, and support. The budget improves school facilities and creates construction jobs with \$10 billion over ten years to increase the federal subsidy rate on America Fast Forward Bonds for school construction. In contrast, the House-passed Republican budget does not provide for teacher jobs or school construction, and in fact, jeopardizes up to 750,000 jobs this year alone according to CBO by maintaining the sequester, which would cut Education Department funding by \$2.5 billion in 2013.

## New Education Initiatives

- \$75 billion Preschool for All
- \$1 billion Race to the Top-College Affordability & Completion
- \$300 million high school redesign
- \$112 million safe students
- Student loan interest rate reform

**Elementary and secondary education** — The budget maintains the 2013 appropriation levels for most K-12 programs. Notable exceptions include the following funding changes:

- **Race to the Top** – up \$451 million (82 percent) over the 2012 level of \$549 million.
- **High school redesign** – a new \$300 million competitive grant program in which school districts would join employers or colleges in redesigning high schools to better prepare students by providing opportunities for college credit or internships.
- **Promise Neighborhoods** – up \$240 million, to \$300 million.

- **STEM innovation** – \$265 million in new funding as part of a government-wide reorganization of science, technology, engineering, and math education (STEM) teaching programs.
- **School turnaround grants** – up \$125 million, to \$659 million.
- **Teacher and leader innovation fund** – up \$101 million, to \$400 million.
- **21<sup>st</sup> century community learning centers** – up \$100 million, to \$1.3 billion.
- **Successful, safe, and healthy students** – up \$84 million, to \$280 million. The budget consolidates and reorganizes existing funding for safe and drug-free schools, counseling, and physical education, and funds the President’s new school safety initiatives, including \$50 million to help schools support safe and effective learning, \$30 million to improve emergency management, and \$25 million for schools in communities with pervasive violence.
- **Impact Aid** – cut \$67 million (5 percent) by eliminating “payments for federal property” compensation for forgone property taxes; all other Impact Aid funding is maintained.

**Higher education** — The budget targets federal funding to low-income students and to institutions that restrain college costs and provide high quality educational outcomes.

- **Pell Grants** – The budget provides \$23 billion in discretionary funding for Pell grants for 2014 – the same level as for 2012 and 2013 – to support a total maximum Pell grant of \$5,785 for the 2014-15 school year, and make a down-payment for 2015. The budget also provides \$18 billion in future mandatory spending to help maintain the discretionary maximum Pell grant.
- **Student loan interest rate changes** – The budget changes interest rates and repayment benefits for direct student loans. Rates are currently fixed by statute: 3.4 percent for subsidized student loans, but that rate will double in July; 6.8 percent for unsubsidized loans; and 7.9 percent for PLUS loans for graduate students and parents. The President’s budget moves to variable rates pegged to Treasury rates that will then be fixed for the life of the loan. Rates will be lower in the short term than under current law, but would rise as interest rates rise in the economy, and the rates are not capped. To help students repay their loans, all student borrowers will now be eligible for the “pay-as-you-earn” benefit that limits monthly repayments to 10 percent of the borrower’s income, and forgives any remaining balance after 20 years of repayment.
- **Perkins loans** – Perkins loans would be available to students at all colleges, with the interest rates matching unsubsidized direct loan rates.
- **Race to the Top-College Affordability and Completion** – The budget includes \$1 billion for a new competitive state grant program to encourage states to control college costs, increase graduation rates, and improve student support and information.

# SCIENCE, R&D, ENERGY AND THE ENVIRONMENT

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The President's budget invests in science, research and development (R&D), energy efficiency, clean energy, and protecting the environment – areas that are vital to job creation, competing globally, and improving our energy security.

**National Aeronautics and Space Administration (NASA)** — The budget essentially freezes discretionary funding for NASA at \$17.7 billion compared to the 2012 enacted level. This funding focuses on continuing U.S. leadership in scientific discovery and space exploration. The budget includes \$105 million to begin a mission to identify, capture, redirect, and sample a small asteroid by calendar year 2025.

**National Science Foundation (NSF)** — The budget provides \$7.6 billion in discretionary funding for NSF and promotes long-term competitiveness by supporting strategic investments in foundational research, advanced manufacturing, and cyber-infrastructure.

**Department of Energy (DOE)** — The budget provides \$5.4 billion in discretionary funding for DOE programs that support scientific research, improve energy efficiency, and develop clean energy and advanced manufacturing technologies. This funding also furthers the cost-competitiveness and deployment of electric vehicles, biofuels and renewable power.

**Energy Security Trust Fund** — The budget establishes an Energy Security Trust Fund with \$1.8 billion in mandatory funding over ten years by using royalty revenue from oil and gas leases to fund research that improves energy technologies and reduces our dependence on oil.

**HomeStar Energy Rebates** — The budget supports \$6 billion in mandatory funding over ten years to improve energy efficiency in homes by providing rebates to households that invest in energy efficient appliances, systems and retrofits.

**Department of the Interior** — The budget increases appropriations for Interior by almost \$500 million (4 percent) to slightly under \$12 billion, with small cuts to the Bureau of Reclamation and to surface mining programs. It also moves funding for the Land and Water Conservation Fund (also funded in the Department of Agriculture) from discretionary to mandatory, with hybrid funding in 2014 and then \$900 million per year in mandatory funding starting in 2015.

**Army Corps of Engineers-Civil Works** — Funding is cut by 5.5 percent, to \$4.7 billion.

**Environmental Protection Agency** — Funding is cut by \$296 million (3.5 percent), to \$8.2 billion. Drinking Water and Clean Water State Revolving Funds are cut by \$472 million, to \$1.9 billion.

(See "Tax Policy" for discussion of changes in tax preferences for oil, natural gas, and coal.)

# HEALTH CARE

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The President's budget reduces health care spending by \$401 billion over ten years through a variety of changes affecting Medicare, Medicaid, and the Federal Employees Health Benefits Program (FEHBP). Most of the Medicare and Medicaid provisions were in the President's budget last year.

## Medicare

The budget acknowledges that the current system for paying physicians in the Medicare program must be addressed to prevent unrealistically steep cuts in payment rates called for by the current-law Sustainable Growth Rate formula. Consequently, the budget reflects the ten-year cost of preventing these rate cuts. The Administration estimates the cost at \$249 billion. The budget includes \$371 billion in Medicare savings, including \$12 billion of savings that accrue to Medicare from pharmaceutical policy changes described in the following section of this chapter. The budget's key Medicare provisions and their ten-year savings estimates are described below.

**Bad debt** — The budget reduces reimbursement for Medicare bad debts owed to hospitals, nursing homes, and other institutional providers. Currently, Medicare reimburses 65 percent of bad debt in most cases. The budget phases this reimbursement rate down to 25 percent, saving \$25 billion.

**Graduate medical education** — The budget reduces Indirect Medical Education (IME) payments by ten percent, saving \$11 billion. IME is supposed to compensate hospitals for the higher costs of patient care associated with providing care in a teaching hospital. The Medicare Payment Advisory Commission (MedPAC) has found that IME payments substantially exceed these extra costs.

**Rural hospital payments** — The budget reduces payments for Critical Access Hospitals (CAHs) from 101 percent to 100 percent of reasonable costs, and it prohibits the CAH designation for facilities that are less than ten miles from another hospital. Together, these policies save \$2 billion.

**Medicare Part D Prescription Drugs** — The budget saves \$123 billion by ensuring that Medicare receives the same total rebates that Medicaid receives from prescription drug manufacturers for Low-Income Subsidy-eligible individuals in the Medicare Part D prescription drug program. Specifically, the budget requires that manufacturers pay Medicare the difference between rebate levels they already provide Part D private plans and the Medicaid rebate levels. A new provision in this year's budget saves an additional \$11 billion by increasing the manufacturer discount for beneficiaries in the Part D coverage gap. Part D originally made beneficiaries pay the full cost of their drugs after their total drug spending reached a certain threshold (currently \$2,970), until their out-of-pocket spending reached a catastrophic limit (currently \$4,750). The Affordable Care Act gradually closes this "doughnut hole" coverage gap with two provisions: it requires manufacturers to provide 50 percent discounts on brand-name drugs, and it phases in a 25 percent federal subsidy by 2020. The budget increases the manufacturer discount for brand-name drugs to 75 percent in 2015, effectively closing the doughnut

hole for brand-name drugs five years ahead of schedule. The phase-out for generic drugs continues through 2020.

**Post-acute care payment reforms** — The budget saves \$79 billion by reducing payment updates for post-acute care providers (skilled nursing facilities [SNFs], inpatient rehabilitation facilities [IRFs], long-term care hospitals, and home health agencies). Another \$2 billion comes from equalizing payments for certain conditions (e.g., hip or knee replacements) that are currently provided in both SNFs and IRFs but paid at a higher rate in IRFs. The budget also aims to encourage appropriate post-acute placement by requiring that 75 percent – rather than the current 60 percent – of patients in an IRF facility have a qualifying complex condition for the facility to qualify for IRF payments, saving \$3 billion. The budget saves \$2 billion by reducing payments for SNFs with high rates of preventable hospital readmissions. A new provision in this year’s budget restructures payments for post-acute care services by using a bundled payment approach, generating savings of \$8 billion.

**Medicare Advantage (MA) payment accuracy** — Two provisions affecting Medicare Advantage are new in this year’s budget. The first provision saves \$15 billion by increasing the “coding intensity adjustment” applied to MA payments. This downward adjustment corrects for the fact that private MA plans find ways to label their patients as more ill than traditional Medicare beneficiaries with the same health conditions and demographic characteristics, which leads to inappropriately high payments to the plans. The second provision addresses employer group MA plans, which are available only to Medicare beneficiaries who are members of employer or union groups that contract with those plans. MedPAC has noted that employer group plans have an incentive to submit higher bids than MA plans open to all Medicare beneficiaries, and the data bear this out – employer group plan bids are consistently higher, which translates to higher spending. The budget saves \$4 billion by aligning employer group plan payments with the average individual MA plan bid in each MA payment area, beginning in 2015.

**Other Provider Provisions** — The budget saves \$6 billion by limiting the ability of physicians to refer patients for certain health services in which the physician has a financial interest. Only providers who meet certain accountability standards will be able to “self-refer” advanced imaging services, radiation therapy, and other therapy services. The budget also saves \$4 billion by changing the payment formula for physician-administered Part B drugs. Medicare currently pays the average sales price for these drugs plus 6 percent. The budget reduces that add-on to 3 percent. Finally, the budget saves \$9 billion by aligning Medicare payment levels for clinical laboratory services more closely with the private sector. These three provisions are new in this year’s budget.

**Increase income-related premiums for Part B and Part D** — The budget increases income-related premiums starting in 2017. Under current law, the base premiums for Part B and Part D cover roughly 25 percent of average costs. Premiums for higher-income beneficiaries are set at 35-80 percent of average costs, depending on their income bracket. The budget increases income-related premiums to 40-90 percent of average costs. In addition, the budget freezes the income thresholds for income-related premiums, which start at \$85,000, until 25 percent of beneficiaries under Parts B and D are subject to these premiums. These policies save \$50 billion.

**Modify Part B deductible for new enrollees** — The budget gradually increases the Part B deductible (currently \$147) by \$75 for new beneficiaries beginning in 2017, saving \$3 billion.

**Home health copayments** — The budget saves \$730 million by establishing a copayment of \$100 per episode for home health services that are not preceded by inpatient care, in order to encourage appropriate use of these services. The policy is effective for new beneficiaries beginning in 2017.

**Part B premium surcharge for beneficiaries with generous Medigap coverage** — The budget includes a surcharge on Part B premiums for people enrolling in Medicare in 2017 or later who choose a Medigap plan that provides first-dollar or near-first-dollar coverage of Medicare’s out-of-pocket costs. The surcharge equals roughly 15 percent of the average Medigap premium (or about 30 percent of the Part B premium). This policy saves \$3 billion.

**Encourage use of generic drugs** — A new provision in this year’s budget saves \$7 billion by giving Part D Low-Income Subsidy beneficiaries incentives to substitute generic drugs for brand-name drugs where appropriate. The Part D Low-Income Subsidy program provides help with premiums and cost-sharing for Part D enrollees with limited incomes. Currently, those with incomes below 135 percent of poverty face copayments of no more than \$2.65 for each generic drug and \$6.60 for each brand-name drug. The budget reduces the copayments for generics and doubles the copayments for brand-name drugs. Beneficiaries with incomes between 135 and 150 percent of poverty would only experience the new cost-sharing after reaching the catastrophic limit. The higher copayments for brand-name drugs do not apply if a generic substitute is not appropriate or available.

**Independent Payment Advisory Board (IPAB)** — Current law calls for IPAB to develop policies to reduce Medicare spending if projected spending per beneficiary exceeds a certain target for a particular year. The budget saves \$4 billion by changing the per-beneficiary spending growth rate target for 2020 and beyond from per capita GDP growth plus 1 percentage point to per capita GDP growth plus 0.5 percentage point.

**Physician payment reform** — The budget outlines broad principles for reforming Medicare’s physician payment system. These principles include providing a period of payment stability for several years to allow time for the development of alternative payment models that focus on accountability and can be brought to scale. The alternative models would encourage coordination of care, reward high-quality, efficient care, and hold accountable care providers who consistently provide low-quality care at excessive costs. Over time, physician payment updates would be linked to participation in accountable payment models.

## Pharmaceutical Policy Changes

The budget promotes faster development of generic biologics by reducing patent exclusivity for brand-name biologics from 12 to 7 years, saving \$3 billion over ten years. The budget also proposes to prohibit brand and generic drug companies from entering into agreements to delay the availability of new generic drugs, a practice known as “pay for delay.” Under current law, brand-name companies sometimes pay generic companies to keep generic substitutes off the market. This anticompetitive

practice raises costs for insurers and consumers. The budget gives the Federal Trade Commission the authority to prohibit these agreements, saving \$11 billion. Of the combined \$14 billion in savings from these two provisions, \$12 billion accrues to Medicare.

## Medicaid

The President's budget proposes fewer savings in Medicaid than in last year's budget. The 2014 budget includes gross savings of \$20.6 billion in Medicaid, compared with the more than \$50 billion that were proposed last year. Because the budget extends two Medicaid programs, the net Medicaid cut is \$19 billion. The key provisions and their ten-year savings estimates are described below.

**Rebase Disproportionate Share Hospital (DSH) allotments for 2023 (\$3.6 billion)** – In anticipation of fewer uninsured individuals due to the expansion of coverage under the Affordable Care Act, that law rebased DSH payments through 2020. The “fiscal cliff deal” rebased allotments for 2021 and 2022. The budget further extends the rebased rates to 2023.

**Delay Affordable Care Act DSH reductions one year (budget neutral).** The budget proposes delaying the start of the DSH reductions under the Affordable Care Act until 2015 so that HHS can gain experience with the allotments during the first year of widespread coverage expansions under the Affordable Care Act. This will allow HHS to base future payments on a state's actual DSH allotments as reduced by Affordable Care Act in 2014. The reductions scheduled for 2015 would be spread over 2016 and 2017.

**Limit Medicaid Durable Medical Equipment (DME) reimbursement to Medicare rates (\$4.5 billion)** – This option allows Medicaid to benefit from efficiencies generated by Medicare's DME competitive bidding program by limiting Medicaid to paying no more than what Medicare would pay for the same services. The proposal is limited to those services covered by competitive bidding in Medicare.

**Improve Medicaid drug rebate and payment policies (\$8.8 billion)** – The budget includes proposals to improve the methods Medicaid uses to determine Average Manufacturer Price and Federal Upper Limits for prescription drug payment policies. These proposals clarify the definition of brand drugs and remove brand-name and authorized generic drug prices from Federal Upper Limit and brand rebate calculations. Brand-name and authorized generics currently inflate the payment calculations.

**Reduce fraud, waste, and abuse in Medicaid (\$3.7 billion)** – The budget includes proposals to reduce fraud in Medicaid. These proposals include expanding the Medicaid Fraud Control Unit program to in-home and community-based settings, strengthening Medicaid third-party liability and affirming its position as the payer of last resort, and improving program integrity for drug coverage through requiring states to monitor high-risk billing activity and identify patterns that may indicate abuse.

**Medicaid extenders** – The budget extends until the end of calendar year 2014 two Medicaid programs that expire at the end of 2013 under current law.

- **Extension of Transitional Medical Assistance (TMA) (\$1.1 billion)** – TMA helps low-income families with children transition to jobs by allowing these families to keep their Medicaid

coverage for a limited period after they find a job, get a raise, or begin working more hours, even though their earnings may make them ineligible for regular Medicaid. States that adopt the Medicaid expansion under the Affordable Care Act will be able to opt out of the TMA program beginning in 2014.

- **Extension of the Qualified Individuals (QI) program (\$0.6 billion)** – The QI program pays the Medicare Part B premiums of low-income Medicare beneficiaries with incomes between 120 percent and 135 percent of the federal poverty level. States receive 100 percent Federal funding for the QI program.

## Other Mandatory Health Programs

**Modernization of the Federal Employee Health Benefit Program (FEHBP) (\$8.4 billion).** FEHBP was enacted in 1959 and the program requires legislative changes in order to evolve into a more modern program. The budget proposes \$8.4 billion in savings from FEHBP in the next ten years through the following policies:

- Streamline FEHBP pharmacy benefit contracting (\$1.6 billion).
- Expand FEHBP plan types (\$0.3 billion).
- Adjust FEHBP premiums based on an enrollee's tobacco use and/or participation in a wellness program (\$1.3 billion).
- Offer an FEHBP Self+One option and domestic partner benefits (\$5.2 billion). Currently, same sex partners are barred from participation in FEHBP under the Defense of Marriage Act (DOMA), even if they are legally married under state law.

## Private Health Insurance Protections and Programs

The Affordable Care Act provides critical new protections for consumers with private health insurance. Several vital consumer protections have already been implemented while other provisions, including prohibiting most insurers from denying coverage based on pre-existing conditions, will occur in 2014. Millions of Americans will also gain access to affordable coverage through the establishment of Health Insurance Marketplaces (or Exchanges), new tax credits to lower the cost of coverage, and the expansion of Medicaid. The budget proposes the following policies in this area.

**Accelerate issuance of state innovation waivers** — The budget allows states to develop innovative strategies to ensure their residents have access to high-quality, affordable health insurance effective in 2014, three years earlier than is currently permitted under the Affordable Care Act. The proposal is similar to legislation introduced in the Senate during the 111th Congress. Consistent with current law, these innovation strategies must provide affordable insurance coverage to at least as many residents as without the waiver and must not increase the federal deficit. This proposal is budget neutral.

**Affordable insurance exchange grants** — The Affordable Care Act provides funding to enable states to plan for and establish marketplaces. Since 2011, 37 states and the District of Columbia have received over \$3.4 billion in grants to develop insurance marketplaces. After their establishment, marketplaces will be self-funded through user fees or other funding. The Administration is projecting that states will receive \$2 billion in establishment grants in 2014, up from the \$1.5 billion it projects for 2013.

**Program operations for the state-based health insurance marketplaces** — The Centers for Medicare and Medicaid Services (CMS) will oversee operations of state-based marketplaces and provide technical assistance in their first year of operations. Work for the 2015 benefit year will also occur in 2014, including receiving and evaluating submissions from issuers for qualified health plans in the federally facilitated marketplaces. The budget requests \$0.8 billion to support these operations.

**Consumer Information and outreach for marketplaces** — CMS requests \$0.6 billion for the implementation of the federal marketplace consumer call center and website, and for training and support for marketplace navigators, who will help people sign up for coverage.

**Payments for reduced cost sharing** — Individuals with incomes below 250 percent of the federal poverty level who enroll in health plans in the health insurance marketplaces may qualify for reductions in their out-of-pocket costs through lower deductibles, coinsurance, co-pays and out of pocket limits. The Department of Treasury will oversee assistance with premium costs through the premium tax credit, but CMS will pay health insurance issuers for the value of the cost sharing that would otherwise have come from enrollees. In 2014, these amounts are estimated to total \$4 billion.

## Public Health

**Agency for Healthcare Research and Quality (AHRQ)** — The budget includes a total program level of \$434 million for AHRQ, \$29 million above the 2012 level. This total includes \$334 million in Public Health Service (PHS) Evaluation Funds, a decrease of \$35 million, and \$100 million from the Patient-Centered Outcomes Research Trust Fund. AHRQ's budget will fund \$29 million in investigator-initiated research grants, of which \$9 million will be used to fund innovative new grants to improve health care delivery, lower costs, and improve health care quality.

**Centers for Disease Control and Prevention (CDC)** — The budget includes a program level of \$11.3 billion for CDC for 2014. The budget enhances investments in advanced molecular detection and response to infectious disease outbreaks, healthcare associated infections, food safety, injury prevention and control, and global health. The budget includes targeted reductions to specific immunization activities, preparedness and response activities, chronic disease prevention programs, occupational health activities, and direct medical services. Some of these reductions, as well as some redirection of resources within programs, reflect the increased availability of preventive and direct health care services due to the coverage expansions under the Affordable Care Act. The budget provides \$30 million to track gun violence and to research strategies to prevent it.

**Food and Drug Administration (FDA)** — The budget provides \$2.6 billion in appropriations for a program level of \$4.7 billion for FDA. This funding level is 21 percent above the 2012 level, though

only \$52 million of the increase is from new funding. It includes \$10 million in new resources to improve the safety of food and medical product imports. The budget also includes new user fee programs to support implementation of key elements of the Food Safety Modernization Act.

**Health Resources and Services Administration (HRSA)** – The budget includes \$9 billion for HRSA for 2014, an increase of \$841 million over the 2012 level. The budget includes a proposal for a long-term \$15 billion investment to extend and expand a voluntary, evidence-based home visiting initiative beginning in 2015. These programs allow at-risk families to choose to receive home visits from nurses and social workers in order to improve maternal and child health, child development, school readiness and economic self-sufficiency. Research has shown that home-visiting programs can improve outcomes for children and families, including improving maternal and child health, enhancing family engagement, reducing child maltreatment, and increasing parental employment. There is also evidence that these programs can reduce down-stream costs in the Medicaid program by reducing pre-term births and emergency room visits.

**Indian Health Service (IHS)** — The budget includes \$5.7 billion for IHS, an increase of \$244 million (5 percent) over the 2012 level.

**National Institutes of Health (NIH)** — The budget provides \$31.3 billion for NIH, an increase of \$471 million (1.5 percent) over the 2012 level. NIH estimates it will support about 36,610 research project grants. The NIH budget will support the National Plan to Address Alzheimer’s Disease by devoting \$80 million to speeding drug development and testing new therapies. NIH will also devote \$40 million to the cross-cutting Brain Research through Application of Innovative Neurotechnologies (BRAIN) Initiative. The initiative will accelerate the development of innovative technologies to comprehensively examine the activity of the brain in order to help researchers discover new ways to treat, cure, and prevent brain disorders like Alzheimer’s disease, autism, and schizophrenia.

**Public Health and Social Services Emergency Fund** — The budget includes \$1.3 billion for the Public Health and Social Services Emergency Fund. This fund helps to enhance the nation’s preparedness against bioterrorism, pandemic influenza and other public health threats through the development of medical countermeasures, including a funding request for the first year of continuing procurements through Project BioShield.

**Substance Abuse and Mental Health Services Administration (SAMHSA)** — The budget provides \$3.6 billion for SAMHSA, virtually the same as the 2012 level. The budget will invest \$130 million in new funding to help students and young adults access treatment for mental health issues. This includes \$40 million for grants to help keep schools safe and refer students with behavioral health issues to the services they need, \$15 million for Mental Health First Aid training for teachers and other adults, and \$50 million to train 5,000 mental health professionals (co-administered by HRSA).

**Title X, Office of the Assistant Secretary for Health** — The budget includes \$327 million for the Title X Family Planning program, an increase of \$33 million above the 2012 level, to expand access to primary care and reproductive health services for low-income women at 4,000 clinics located around the country in historically underserved communities.

## SAFETY NET

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The budget places a priority on programs that serve the most vulnerable members of our society. It provides new funding and tools to ensure the integrity of these programs (discussed in the “Deficit Reduction” section) and works to strengthen the safety net for those who need it. Highlights of the President’s proposals in this area include:

**Quality child care** — Head Start receives an increase of \$1.7 billion (21 percent) over the 2012 level, for a total of \$9.6 billion for 2014. This includes \$1.4 billion as part of the early childhood initiative for competitive grants to Early Head Start programs to partner with child care providers to offer high quality, comprehensive full-day services for infants and toddlers. There is an additional \$7 billion over ten years to maintain child care subsidies.

**Special supplemental food program for women, infants, and children (WIC)** — The WIC program provides vouchers to purchase nutritionally rich foods to low-income pregnant, breast-feeding, and postpartum women, infants, and children up to age five. The budget provides \$7.1 billion for the program in 2014, a slight increase over the 2012 level, which will be enough to serve the nearly 9 million low-income women and children expected to be eligible for the program.

**Housing assistance** — The budget provides \$44 billion for various discretionary low-income housing assistance programs, an increase of \$4.6 billion over the 2012 enacted level. Most of the increase is needed just to maintain current levels of assistance. The Housing Choice Voucher program receives \$20 billion, an increase of \$1.7 billion. These funds will help more than 2.2 million families pay their rent. Vouchers for new tenants, which will be targeted toward homeless veterans, represent less than one percent of the funds. Project-based rental assistance, which supports 1.2 million families who live in certain multi-family housing rental developments, receives \$10 billion, an increase of \$0.9 billion over 2012. This level of funding provides for renewal for a full calendar year of all contracts coming due. The budget provides \$4.6 billion for the public housing operating fund, an increase of \$0.6 billion. The increase is necessary to fund the same number of households because significant levels of reserves, which are no longer available, were used to fund the 2012 program.

**Low income home energy assistance (LIHEAP)** — The budget provides \$3 billion for LIHEAP, which helps low-income families cover their heating and cooling expenses, a reduction of \$0.5 billion from the 2012 level. Most of the funding is for the basic grant to states. However, \$150 million is in a contingency fund that can be targeted to respond to home-energy related emergencies such as extreme weather, and \$50 million is for a new competitive grant that supports replacement of inefficient heating systems and other conservation measures.

**Chained CPI to adjust benefit programs** — While the budget shifts to using the chained CPI to calculate cost of living adjustments in many programs (discussed in the “Deficit Reduction” section), it does not apply the change to most benefit programs that serve low-income populations, including the Supplemental Security Income program, the Supplemental Nutrition Assistance Program, veterans’ pensions, and Pell grants. Calculations of the poverty line, which determines the eligibility for some programs, will not be impacted by this change.

**Protections for the elderly** – The budget increases benefits for retirees beginning at age 76 (phased in over ten years) and again at age 95. This increase would mitigate the impact of the CPI change in calculating COLAs, particularly for those with a below-average benefit. It also helps address the problem of increased poverty among older retirees who may have outlived much or all of their savings and rely more heavily upon Social Security benefits.

**New job training initiatives for the unemployed** —The budget provides mandatory funding for four major new initiatives.

- **Displaced workers** – It includes \$27 billion over ten years for a new program to provide training and reemployment services for up to one million displaced workers each year, ensuring that all unemployed workers have access to the same core services.
- **Community college to careers** – The budget provides \$8 billion in 2013 to provide job training through state partnerships with community colleges and businesses, with funding split between the Departments of Education and Labor.
- **Pathways Back to Work Fund** – As part of its jobs package, the budget provides \$12.5 billion up front for a Pathways Back to Work Fund to support employment for long-term unemployed and low-income adults as well as low-income youth.
- **Reemployment NOW** – The jobs package also includes \$4 billion in 2013 for states to use a variety of strategies to target reemployment assistance to the long-term unemployed, including those receiving Emergency Unemployment Compensation.

# NATIONAL SECURITY

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This chapter reviews the President’s budget request for national defense, veterans, international affairs, and homeland security programs.

## National Defense

The budget matches the pre-sequester Budget Control Act level of \$552 billion for “base” discretionary national defense activities, which includes the Department of Defense (DoD) and the nuclear weapons activities at the Department of the Energy. Beyond 2014, the budget matches the pre-sequester BCA levels through 2016. From 2017 to 2023, the defense budget grows nominally, but at a slower rate than the BCA, saving \$119 billion over that period.<sup>1</sup>

**Defense Strategy** — The budget for the Department of Defense continues to implement the defense strategy it developed last year, which includes rebalancing our military forces to the Asia-Pacific region and the Middle East, and a shift to a military that is smaller, but leaner and more agile. As part of this shift, the Department of Defense will reduce the size of the active military and it is requesting that Congress authorize another round of base closures in 2015.

**Military Pay and Benefits** — For 2014, the budget provides a 1.0 percent increase to basic military pay, the same increase proposed for the federal civilian workforce, which is less than the 1.8 percent called for under the formula in current law. The budget provides larger increases to other portions of service members’ compensation package. It provides an average 4.2 percent increase in the basic allowance for housing and an average 3.4 percent increase in the basic allowance for subsistence.

The budget provides \$49.4 billion for the DoD Unified Medical Budget to provide medical care for over 9.6 million eligible beneficiaries. To curb escalating health care costs, the budget again proposes increases in Tricare pharmacy copayments and enrollment fees, but they are smaller than those the Administration proposed last year. These increases save discretionary resources totaling \$297 million in 2014 and \$13.5 billion over ten years. These proposals also save mandatory costs in the Tricare for Life program totaling \$9 million in 2014 and \$6.1 billion over ten years.

**Modernization** — DoD’s budget includes \$168 billion for weapons system modernization, which includes research and development activities and procurement. DoD’s modernization plan proposes to terminate and restructure a number of programs, including termination of the Precision Tracking Space System (\$1.7 billion savings), restructuring the next generation Aegis missile (\$2.1 billion savings) and delaying procurement of the Army’s Apache (new build) helicopter (\$1.3 billion savings). Other key highlights of the modernization budget include \$6.4 billion to procure 29 F-35 Joint Strike Fighter aircraft, funding for 8 new ships – including \$5.3 billion to procure 2 Virginia Class submarines – and \$8.5 billion for Missile Defense.

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<sup>1</sup> The BCA caps only go out to 2021. OMB extrapolated the BCA for 2022 and 2023 to allow for savings comparisons.

**Overseas Contingency Operations (OCO)** — The OCO budget includes \$92.3 billion for 2014, which is an \$88.5 billion placeholder for defense (the same amount as the President requested last year) and \$3.8 billion for State and other international programs. Over 2015 through 2021, the budget includes \$37.3 billion per year to reflect the Administration’s policy of capping OCO funding at \$450 billion over 2013 through 2021. The budget includes no OCO funding for 2022 and 2023.

The budget includes only placeholder estimates for 2014 and the outyears. The Administration plans to draw down forces deployed to Afghanistan by 34,000 over the next year, but it has not yet made decisions about the pace of those reductions. Consequently, the President’s budget does not include final estimates for overseas operations. The President will submit an amended OCO budget, expected this spring, once these decisions are finalized.

## Veterans

The budget includes \$63.7 billion in appropriations for 2014 for health care, the administrative processing of benefit claims, and construction projects. More than 85 percent of discretionary funding for veterans is for medical care services. (Veterans’ benefits like disability compensation, pensions, and education are automatically funded in the mandatory baseline.)

**Medical care** — The budget includes \$54.6 billion in appropriated funding for medical care for 2014 – \$158 million above the 2014 advance appropriation recently enacted. VA estimates that it will collect another \$3.1 billion in resources, including co-payments from veterans and third party insurance payments, bringing total resources to \$57.7 billion to provide health care to 6.5 million patients. The budget provides \$55.6 billion in advance appropriations for 2015.

**Benefits Administration** — The budget provides \$2.5 billion for the Veterans Benefits Administration (VBA), or 21.6 percent more than the 2012 enacted level. It includes \$136 million for an initiative to convert claims evidence into a digital format to facilitate claims processing. Underlying the VBA’s request is its goal to eliminate the claims backlog and to process all claims in less than 125 days by the end of 2015.

**Veterans Job Corps** — In addition to appropriations, the budget provides \$1 billion in mandatory funding for 2014 for an interagency Veterans Job Corps. This initiative seeks to employ up to 20,000 veterans over five years on projects to rebuild and protect America.

## International Affairs

The budget provides \$52 billion in regular and OCO appropriations for diplomacy and foreign assistance for 2014, which is \$2.4 billion (4.4 percent) less than the enacted 2012 total. The total includes \$48.2 billion in regular appropriations.

**OCO funding for international affairs** — The budget provides \$3.8 billion for the contingency operations of the Department of State and USAID. This funding is a significant reduction from previous years, reflecting a drawing down of troops in Iraq and Afghanistan.

**Embassy security** — The budget requests \$2.6 billion for construction, upgrades and maintenance, which is \$1 billion more than 2012 levels. This funding will be used for increased staffing and to enhance security at our embassies around the world.

**Food aid reform** — The budget includes reforms to make food aid more cost-effective while impacting more people. It creates a new \$75 million emergency food assistance fund to quickly respond to unforeseen global disasters.

## Homeland Security

The budget provides \$44.7 billion for the Department of Homeland Security (DHS), which includes \$39.0 billion in regular appropriations and \$5.6 billion in disaster relief funds. DHS is comprised of a number of agencies, including the U.S. Customs and Border Protection Agency, the U.S. Coast Guard, the U.S. Immigration and Customs Enforcement Agency, the Transportation Security Administration, and the Federal Emergency Management Agency. Below are selected budget highlights.

**U.S. Customs and Border Protection** – The budget includes \$10.8 billion for U.S. Customs and Border Protection. This level supports 21,370 U.S. Border Patrol agents and 25,252 CBP officers.

**U.S. Coast Guard** – The budget provides \$8.0 billion for the U.S. Coast Guard for 2014. The budget includes \$743 million for the procurement of a number of Coast Guard ships, including the seventh National Security Cutter and two Fast Response Cutters.

**Federal Emergency Management Agency (FEMA)** – The budget provides \$9.6 billion for FEMA for 2014. Of that amount, the budget provides \$2.1 billion for state and local programs to equip, train, and hire first responders. The budget consolidates a number of stand-alone grant programs within that category, except the Emergency Management Performance Grants and Assistance to Firefighter Grants, into the National Preparedness Grant program. The budget provides \$6.2 billion for the Disaster Relief Fund. Of this amount, \$5.6 billion funds the federal government's response to presidentially declared disasters, and is eligible for discretionary cap adjustments.

# ECONOMIC ASSUMPTIONS

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The Administration's economic assumptions assume enactment of the budget proposals, which include jobs and infrastructure proposals. While CBO's estimates reflect current law and OMB's estimates reflect current policy on taxes, but there is less discrepancy following the fiscal cliff deal. The following figures reflect calendar rather than fiscal years.

**Economic growth** — The Administration forecasts real economic growth of 2.3 percent in 2013, 3.2 percent in 2014, and averaging 3.4 percent over 2014-18 and 2.8 percent over 2013-23. CBO forecasts slower growth in the near term of 1.4 percent in 2013 and 2.6 percent in 2014, but slightly higher growth in following years such that CBO shows very similar five-year (3.5 percent) and 11-year (2.7 percent) projections of average economic growth compared with OMB. The Federal Reserve and the Blue Chip consensus predict lower short-term growth and slightly lower 11-year average growth (2.6 percent for Blue Chip and 2.4-2.7 percent for the Federal Reserve).

**Unemployment rate** — The budget projects the unemployment rate to be 7.7 percent for 2013, 7.2 percent for 2014, and 6.7 percent for 2015, falling to 5.4 percent by 2019 and after. CBO projects somewhat higher unemployment rates for the next few years (7.9 percent for 2013, 7.8 percent for 2014, and 7.1 percent for 2015), but thereafter closely follows OMB's trajectory. The Blue Chip consensus tracks the Administration's forecast fairly closely but settles on a 5.6 percent longer-run unemployment rate. The Federal Reserve is more pessimistic overall, forecasting unemployment of 8.5-8.7 percent in 2013 and 7.8-8.2 percent for 2014, and averaging 5.2-6.0 percent in 2016 and later.

**Inflation rate** — OMB forecasts a 2.2 percent inflation rate for each year over the next ten years. OMB's 2.2 percent 11-year average is in between what CBO (2.1 percent) and the Blue Chip consensus (2.3 percent) forecast for inflation. OMB forecasts that Treasury rates will rise off their current historical lows and return to near their pre-crisis historical averages (i.e., their steady state): 3-month Treasury rates rise from 0.1 percent in 2013 to 3.7 percent by 2020 while ten-year Treasury rates increase from 2.0 percent in 2013 to 5.0 percent by 2021 and later. OMB is in between Blue Chip and CBO in terms of "steady-state" 3-month and 11-year Treasury rates, but the forecasts of each is within a fairly narrow range.

## APPENDIX: OMB SUMMARY TABLES

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OMB posts all of the budget's summary tables online at:  
<http://www.whitehouse.gov/omb/budget/Overview>

Following are several key OMB summary tables:

Table S–2. Effect of Budget Proposals on Projected Deficits

Table S–3. Deficit Reduction Since January 2011

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

Cuts, Consolidations, and Savings – Summary Tables

**Table S-2. Effect of Budget Proposals on Projected Deficits**

(Deficit increases (+) or decreases (-) in billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals	
												2014-2018	2014-2023
<b>Projected deficits in the adjusted baseline<sup>1</sup></b> .....	<b>919</b>	<b>627</b>	<b>536</b>	<b>547</b>	<b>556</b>	<b>571</b>	<b>637</b>	<b>678</b>	<b>723</b>	<b>889</b>	<b>913</b>	<b>2,837</b>	<b>6,678</b>
Percent of GDP .....	5.7%	3.7%	3.0%	2.9%	2.8%	2.7%	2.9%	3.0%	3.0%	3.6%	3.5%	3.0%	3.1%
<b>Proposals in the 2014 Budget:<sup>2</sup></b>													
<b>Proposals contained in the December Compromise Deficit Reduction Package:</b>													
Discretionary program reductions .....					-5	-12	-19	-27	-35	-46	-58	-16	-202
Health savings .....		-6	-16	-21	-29	-35	-40	-49	-57	-68	-81	-107	-401
Other mandatory savings .....	*	-1	-12	-16	-19	-21	-23	-25	-26	-29	-28	-69	-201
Revenue proposals .....		-30	-42	-46	-52	-57	-62	-66	-71	-76	-81	-228	-583
Immediate investments in infrastructure .....		6	18	12	6	4	2	2	1	*	*	45	50
Programmatic effects of moving to the chained CPI .....			-3	-8	-14	-19	-24	-31	-37	-44	-50	-44	-230
Discretionary effects of program integrity cap adjustments ....		*	*	*	1	1	1	1	1	1	1	3	9
Debt service and accrual effects .....	*	1	1	-*	-3	-10	-18	-27	-37	-48	-61	-12	-202
Total, December Package proposals .....	*	-31	-53	-79	-117	-148	-183	-222	-261	-308	-357	-428	-1,760
<b>Policy initiatives:</b>													
Surface transportation initiatives .....		*	2	5	10	14	18	22	18	9	5	31	104
Job creation initiatives .....	2	31	11	9	4	1	1	1	1	1	1	55	62
Reductions in overseas contingency operations													
reserved for surface transportation and job creation .....	-1	-3	-19	-29	-32	-43	-41					-126	-167
Early childhood investments .....		*	1	3	6	8	10	11	12	12	12	19	77
Tobacco tax financing .....		-8	-10	-9	-9	-8	-8	-7	-7	-6	-6	-44	-78
Other mandatory proposals .....	9	25	20	12	1	-1	-5	-9	-11	-18	-17	57	-3
Reserve for revenue-neutral business tax reform .....													
Debt service .....	*	*	*	1	1	1	-*	-*	*	*	*	2	2
Total, policy initiatives .....	10	46	6	-9	-19	-28	-25	18	15	-*	-5	-5	-2
<b>Additional changes to deficits:</b>													
Remaining reductions in overseas contingency operations including amounts reserved for additional surface transportation transfers .....		-1	-19	-30	-34	-26	-30	-74	-77	-101	-115	-111	-508
Revenue proposals available to pay for extension of baseline tax items .....	*	5	3	-7	-9	-10	-23	-25	-26	-28	-29	-18	-149
Proposed BCA disaster relief cap adjustment .....	-*	2	2	1	-*	-*	-*	-*	*	-*	-*	5	5
Outlay effects of discretionary policy .....	-5	9	2	-2	-4	-4	-3	-1	-4	-4	-3	2	-13
Debt service and indirect interest effects .....	*	*	1	*	-1	-3	-6	-9	-14	-19	-25	-4	-76
Total, additional deficit reduction .....	-4	15	-12	-38	-48	-43	-63	-110	-121	-151	-171	-125	-741
<b>Total proposals in the 2014 Budget</b> .....	<b>5</b>	<b>30</b>	<b>-59</b>	<b>-126</b>	<b>-184</b>	<b>-220</b>	<b>-271</b>	<b>-314</b>	<b>-367</b>	<b>-460</b>	<b>-533</b>	<b>-558</b>	<b>-2,503</b>

**Table S-2. Effect of Budget Proposals on Projected Deficits—Continued**

(Deficit increases (+) or decreases (-) in billions of dollars)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Totals	
												2014– 2018	2014– 2023
<b>Effect of replacing Joint Committee enforcement with 2014 Budget deficit reduction proposals:</b>													
Programmatic effects .....	48	87	99	104	107	108	108	108	109	48	15	505	893
Debt service .....	*	*	1	3	8	16	24	30	36	41	44	27	203
Total effect of replacing Joint Committee enforcement .....	48	87	100	107	115	124	132	139	145	89	59	532	1,096
<b>Resulting deficits in 2014 Budget .....</b>	<b>973</b>	<b>744</b>	<b>576</b>	<b>528</b>	<b>487</b>	<b>475</b>	<b>498</b>	<b>503</b>	<b>501</b>	<b>519</b>	<b>439</b>	<b>2,811</b>	<b>5,271</b>
Percent of GDP .....	6.0%	4.4%	3.2%	2.8%	2.4%	2.3%	2.3%	2.2%	2.1%	2.1%	1.7%	3.0%	2.5%

\* \$500 million or less.

<sup>1</sup> See Tables S-4 and S-8 for information on the adjusted baseline.<sup>2</sup> For total deficit reduction since January 2011, see Table S-3.

**Table S-3. Cumulative Deficit Reduction**

(Deficit reduction (-) or increase (+) in billions of dollars)

	2014-2023
<b>Deficit reduction achieved through January 2013:</b>	
Discretionary savings <sup>1</sup> .....	-1,444
Upper-income tax revenues .....	-660
Debt service .....	-480
Total, achieved deficit reduction .....	-2,585
<b>December Compromise Deficit Reduction Package:</b>	
Discretionary program reductions .....	-202
Health savings .....	-401
Other mandatory savings .....	-201
Revenue proposals .....	-583
Immediate investments in infrastructure .....	50
Programmatic effects of moving to the chained CPI .....	-230
Discretionary effects of program integrity cap adjustments .....	9
Debt service and accrual effects .....	-202
Total, December Package .....	-1,760
Total deficit reduction .....	-4,344
<b>Policy initiatives:</b>	
Surface transportation and job creation initiatives .....	166
Savings in Overseas Contingency Operations reserved for initiatives .....	-167
Early childhood investments .....	77
Tobacco tax financing .....	-78
Other mandatory proposals .....	-3
Reserve for revenue-neutral business tax reform .....	--
Debt service .....	2
Total, policy initiatives .....	-2
<b>Overseas contingency operations (OCO) and additional changes to deficits:</b>	
Enacted reduction in OCO funding .....	-1,288
Remaining reductions in overseas contingency operations .....	-508
Other proposals .....	-157
Debt service .....	-339
Total, OCO and additional changes to deficits .....	-2,293
Total, deficit reduction including policy initiatives, OCO, and additional changes to deficits ....	-6,639
<b>Memorandum: revenue and outlay effects of enacted deficit reduction and the President's December Compromise Deficit Reduction Package:</b>	
Enacted outlay reductions and 2014 Budget spending proposals .....	-3,001
Enacted receipt increases and 2014 Budget revenue proposals .....	-1,343

<sup>1</sup> Excludes savings from reductions in OCO.

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

(Budget authority in billions of dollars)

	Actuals			Requests		Outyears										Totals	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023	
<b>Base Discretionary Funding by Agency:<sup>1,2</sup></b>																	
Agriculture .....	27.0	23.2	23.7	23.0	21.5	23.1	23.6	24.1	24.6	25.2	25.8	26.3	27.0	27.7	117.0	248.9	
Commerce .....	13.9	5.6	7.7	8.0	8.6	9.1	9.4	9.9	10.9	12.0	18.2	10.4	10.2	10.4	47.8	109.1	
<i>Census Bureau</i> .....	7.2	-0.7	0.9	0.9	1.0	1.3	1.5	1.7	2.5	3.5	9.5	1.5	1.1	1.1	8.0	24.6	
Defense <sup>3</sup> .....	530.1	528.3	530.4	525.4	526.6	540.8	551.4	560.0	568.6	577.1	586.7	596.3	605.9	615.5	2,747.4	5,728.9	
Education .....	64.3	68.3	67.4	69.8	71.2	71.9	72.8	73.9	75.1	76.3	77.4	78.6	80.0	81.5	365.0	758.7	
Energy .....	26.5	25.7	26.4	27.2	28.4	28.3	28.9	29.5	30.1	30.8	31.5	32.2	33.0	33.8	145.2	306.5	
<i>National Nuclear Security Administration</i> <sup>3</sup> .....	9.9	10.5	11.0	11.5	11.7	11.0	11.2	11.4	11.7	11.9	12.2	12.4	12.8	13.1	56.9	119.3	
Health & Human Services (HHS) <sup>4</sup> .....	84.4	78.5	78.3	71.7	78.3	83.9	85.5	87.4	89.3	91.3	93.3	95.3	97.7	100.2	424.3	902.2	
Homeland Security .....	39.8	41.9	39.9	39.5	39.0	39.7	40.4	41.2	42.0	42.8	43.8	44.7	45.8	47.0	202.3	426.4	
Housing and Urban Development .....	42.8	37.1	36.3	34.5	33.1	33.9	34.4	35.0	35.8	36.5	37.2	37.9	38.8	39.6	172.2	362.2	
Interior .....	12.1	11.7	11.3	11.4	11.7	12.1	12.4	12.6	12.9	13.2	13.5	13.8	14.2	14.5	61.8	131.0	
Justice .....	27.6	26.9	26.9	17.9	16.3	28.8	29.3	29.9	30.6	31.3	32.0	32.7	33.5	34.4	135.0	298.8	
Labor .....	13.5	12.5	13.2	12.0	12.1	12.3	11.6	11.9	12.1	12.3	12.6	12.8	13.1	13.4	60.0	124.3	
State and Other International Programs .....	49.0	48.5	41.6	46.5	48.1	49.4	50.3	51.4	52.6	53.7	54.9	56.0	57.5	58.9	251.8	532.8	
Transportation .....	20.2	15.4	16.4	16.5	16.3	17.2	17.5	17.9	18.3	18.7	19.1	19.5	20.0	20.5	87.2	185.1	
Treasury .....	13.4	13.4	13.1	12.5	12.9	14.2	14.7	15.3	15.8	16.4	17.0	17.5	18.1	18.7	72.9	160.5	
Veterans Affairs .....	53.1	56.4	58.7	61.0	63.5	64.9	66.1	67.5	69.0	70.5	72.1	73.6	75.5	77.5	330.9	700.1	
Corps of Engineers .....	5.5	4.9	5.1	4.7	4.7	5.0	5.0	5.2	5.3	5.4	5.5	5.6	5.8	5.9	25.2	53.4	
Environmental Protection Agency .....	10.3	8.7	8.5	8.3	8.2	8.2	8.2	8.2	7.7	7.9	8.0	8.2	8.4	8.5	40.4	81.4	
General Services Administration .....	0.4	-1.0	-0.8	-0.8	0.2	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	1.3	2.8	
National Aeronautics & Space Administration .....	18.7	18.4	17.8	17.7	17.7	18.2	18.5	18.9	19.4	19.8	20.2	20.7	21.2	21.7	92.7	196.3	
National Science Foundation .....	6.9	6.8	7.0	7.4	7.6	7.8	8.0	8.2	8.3	8.5	8.7	8.9	9.1	9.4	39.9	84.5	
Small Business Administration .....	0.8	0.7	0.9	0.9	0.8	0.8	0.8	0.9	0.9	0.9	0.9	0.9	1.0	1.0	4.2	8.9	
Social Security Administration (SSA) <sup>4</sup> ...	8.9	8.6	9.0	9.0	9.1	9.0	9.2	9.4	9.6	9.8	10.0	10.3	10.5	10.8	46.4	97.8	
Corporation for National & Community Service .....	1.2	1.1	1.0	1.1	1.1	1.1	1.1	1.1	1.2	1.2	1.2	1.2	1.3	1.3	5.6	11.8	
Other Agencies .....	19.5	18.8	18.8	18.9	19.4	19.5	19.9	20.3	20.8	21.2	21.7	22.2	22.7	23.3	100.0	211.1	
Required savings <sup>5</sup> .....				-2.6		-15.6	-14.6	-19.0	-23.2	-27.4	-37.9	-34.1	-40.7	-47.0	-72.4	-259.5	
<b>Subtotal, Base Discretionary Funding .</b>	<b>1,090.0</b>	<b>1,060.6</b>	<b>1,058.8</b>	<b>1,041.6</b>	<b>1,056.5</b>	<b>1,083.9</b>	<b>1,104.9</b>	<b>1,120.9</b>	<b>1,137.8</b>	<b>1,155.8</b>	<b>1,173.8</b>	<b>1,191.8</b>	<b>1,209.7</b>	<b>1,228.7</b>	<b>5,504.1</b>	<b>11,463.9</b>	

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

(Budget authority in billions of dollars)

	Actuals			Requests				Outyears							Totals	
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
<b>Discretionary Cap Adjustments and Other Funding (not included above):<sup>6</sup></b>																
<b>Overseas Contingency Operations</b>	<b>162.6</b>	<b>159.4</b>	<b>126.5</b>	<b>96.7</b>	<b>92.3</b>	<b>37.3</b>	.....	.....	<b>241.4</b>	<b>353.3</b>						
Defense <sup>7</sup>	162.3	158.8	115.1	88.5	88.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	88.5	88.5
Homeland Security	0.2	0.3	0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Justice	0.1	0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
State and Other International Programs	.....	0.3	11.2	8.2	3.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	3.8	3.8
Overseas Contingency Operations Outyears <sup>8</sup>	.....	.....	.....	.....	.....	37.3	37.3	37.3	37.3	37.3	37.3	37.3	.....	.....	149.1	261.0
<b>Disaster Relief</b>	.....	.....	<b>10.5</b>	<b>11.0</b>	<b>5.8</b>	.....	.....	.....	.....	.....	.....	.....	.....	.....	<b>5.8</b>	<b>5.8</b>
Homeland Security	.....	.....	6.4	10.9	5.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	5.6	5.6
Transportation	.....	.....	1.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Corps of Engineers	.....	.....	1.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Small Business Administration	.....	.....	.....	0.2	0.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.2	0.2
Other Agencies	.....	.....	0.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>Program Integrity</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.5</b>	<b>0.4</b>	<b>0.8</b>	<b>1.1</b>	<b>1.4</b>	<b>1.7</b>	<b>1.7</b>	<b>1.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>5.3</b>	<b>14.1</b>
Treasury	.....	.....	.....	.....	0.4	0.7	1.0	1.3	1.7	1.6	1.7	1.7	1.8	1.8	5.2	13.8
HHS, Labor, and SSA	0.5	0.5	0.5	0.5	*	*	*	*	*	*	*	*	*	*	.....	.....
<b>Other Emergency/Supplemental Funding<sup>9</sup></b>	<b>9.6</b>	<b>-1.3</b>	*	<b>40.6</b>	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Agriculture	0.6	.....	.....	0.2	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Commerce	-0.5	.....	.....	0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Defense	-1.9	.....	.....	*	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Energy	-1.5	.....	.....	-0.5	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Health and Human Services	0.2	-1.3	.....	0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Homeland Security	5.5	.....	*	6.7	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Housing and Urban Development	0.1	.....	.....	16.0	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Interior	*	.....	.....	0.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
State and Other International Programs	6.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Transportation	*	.....	.....	13.1	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Corps of Engineers	0.2	.....	.....	1.9	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....

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

(Budget authority in billions of dollars)

	Actuals		Requests			Outyears							Totals			
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014–2018	2014–2023
Environmental Protection Agency ....	*	.....	.....	0.6	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Small Business Administration .....	1.0	.....	.....	0.8	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Other Agencies .....	-0.1	.....	.....	0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
<b>Grand Total, Discretionary Funding ....</b>	<b>1,262.7</b>	<b>1,219.2</b>	<b>1,196.2</b>	<b>1,190.4</b>	<b>1,155.0</b>	<b>1,122.0</b>	<b>1,143.2</b>	<b>1,159.5</b>	<b>1,176.8</b>	<b>1,194.8</b>	<b>1,212.8</b>	<b>1,230.8</b>	<b>1,211.5</b>	<b>1,230.6</b>	<b>5,756.6</b>	<b>11,837.1</b>

**Memorandum:**

**2014 Base Defense Category Request by agency:**

Defense .....	526.6
Energy (including NNSA) .....	17.8
Justice (FBI) .....	4.9
Homeland Security .....	1.6
Other .....	1.0
<b>Total, Base Defense Category .....</b>	<b>552.0</b>

\* \$50 million or less.

<sup>1</sup> Amounts in the actuals years of 2010 through 2012 exclude changes in mandatory programs enacted in appropriations bills since those amounts have been rebased as mandatory, whereas amounts in 2013 and 2014 are net of these proposals.

<sup>2</sup> The 2014 Budget proposes changes to the current law caps in the BBEDCA, as amended, for the reclassification of certain Transportation programs and further reductions as part of the Administration’s policy to achieve additional deficit reduction.

<sup>3</sup> The Department of Defense (DOD) levels in 2015–2023 include funding that will be allocated, in annual increments, to the National Nuclear Security Administration (NNSA). Current estimates by which DOD’s budget authority will decrease and NNSA’s will increase are, in millions of dollars: 2015: \$1,196; 2016: \$1,444; 2017: \$1,602; 2018: \$1,665; 2019: \$1,702; 2014–2023: \$14,816. DOD and NNSA continue to review aspects of NNSA’s outyear requirements and this will affect outyear allocations made by DOD to NNSA.

<sup>4</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 Health and Human Services total and not in the Social Security Administration total.

<sup>5</sup> The 2014 Budget includes allowances, similar to the Function 920 allowances used in Budget Resolutions, to represent amounts to be allocated among the respective agencies to reach the proposed defense and non-defense caps for 2015 and beyond. These levels are determined for illustrative purposes but do not reflect specific policy decisions. 2013 also includes an allowance amount to bridge from the 2013 request level to 2013 caps, as enacted in ATRA.

<sup>6</sup> Where applicable, amounts in 2012 through 2023 are existing or proposed cap adjustments designated pursuant to Section 251(b)(2) of the BBEDCA, as amended. Amounts in 2010 and 2011 are not so designated but are shown for comparability purposes.

<sup>7</sup> Because final decisions about the pace of the drawdown in Afghanistan have not yet been made, the Budget includes a placeholder for DOD’s 2014 Overseas Contingency Operations (OCO) funding, equivalent to the amount provided in the 2013 Budget. The Administration will submit a Budget amendment to Congress updating the DOD OCO request after a determination has been made on required force levels in Afghanistan.

<sup>8</sup> The Budget includes placeholder amounts of \$37.3 billion per year for Government-wide OCO funding from 2015 to 2021. These amounts reflect the Administration’s proposal to cap total OCO budget authority from 2013 to 2021 at \$450 billion but do not reflect any specific decisions or assumptions about OCO funding in any particular year.

<sup>9</sup> Amounts in 2010–2012 are not designated as Emergency funding pursuant to Section 251(b)(2)(A) of the BBEDCA, as amended, as they include congressionally-designated emergencies, rescissions of funding provided in the American Recovery and Reinvestment Act of 2009 (P.L. 111–5), and other supplemental funding.

**DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS**  
(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
<b>Cuts</b>			
Agricultural Marketing Service - Microbiological Data Program, Department of Agriculture <sup>1</sup> .....	5	.....	-5
Agricultural Marketing Service - Pesticide Recordkeeping Program, Department of Agriculture <sup>1</sup> .....	2	.....	-2
Alaska Conveyance Program, Department of the Interior .....	29	17	-12
Area Health Education Centers, Department of Health and Human Services .....	27	.....	-27
Assistance for Europe, Eurasia, and Central Asia, Department of State and Other International Programs .....	627	497	-130
Beach Grants, Environmental Protection Agency .....	10	.....	-10
Brownfields Projects, Environmental Protection Agency .....	95	85	-10
Bureau of Indian Affairs Construction, Department of the Interior .....	124	107	-17
Bureau of Indian Affairs Housing Improvement Program, Department of the Interior <sup>1</sup> .....	13	.....	-13
Bureau of Labor Statistics' Green Jobs Program, Department of Labor .....	8	.....	-8
Bureau of Labor Statistics' Mass Layoff Statistics Program, Department of Labor <sup>1</sup> .....	2	.....	-2
C-130 Avionics Modernization, Department of Defense .....	208	.....	-208
C-27 Joint Cargo Aircraft, Department of Defense .....	480	.....	-480
Capacity Building (Section 4 and Rural Housing), Department of Housing and Urban Development .....	40	20	-20
Centers for Disease Control and Prevention Direct Healthcare Screenings, Department of Health and Human Services .....	257	225	-32
Chemical Risk Management Fibers Program, Environmental Protection Agency .....	2	.....	-2
Children's Hospital Graduate Medical Education Payment Program, Department of Health and Human Services .....	265	88	-177
Christopher Columbus Fellowship Foundation .....	.....	.....	.....
Clean Automotive Technologies, Environmental Protection Agency .....	16	.....	-16
Clean Water and Drinking Water State Revolving Funds, Environmental Protection Agency .....	2,384	1,912	-472
CMRR Facility, Department of Energy .....	200	35	-165
Community Services Block Grant, Department of Health and Human Services .....	679	350	-329
Computer and Information Science and Engineering Research Programs, National Science Foundation:			
Interface Between Computer Science and Economics and Social Sciences .....	7	.....	-7
Network Science and Engineering .....	3	.....	-3
Social-Computational Systems .....	7	.....	-7
Virtual Organizations .....	5	.....	-5
Cruiser Modernization Program, Department of Defense .....	573	11	-562
Cyber-Enabled Discovery and Innovation Program, National Science Foundation .....	29	.....	-29
Diesel Emissions Reduction Grant Program, Environmental Protection Agency .....	30	6	-24
Drawdown of Military End Strength, Department of Defense .....	.....	-1,384	-1,384
Economic Impact Grants, Department of Agriculture <sup>1</sup> .....	6	.....	-6
Education Research Centers and Agricultural Research, Department of Health and Human Services:			
Agricultural, Forestry, and Fishing Program <sup>1</sup> .....	26	.....	-26
Education Research Centers <sup>1</sup> .....	29	.....	-29
Electric Guaranteed Underwriting Loan Program, Department of Agriculture <sup>1</sup> .....	1	.....	-1
Elimination of Overlapping Programs, Department of Labor:			
Veterans Workforce Investment Program <sup>1</sup> .....	15	.....	-15
Women in Apprenticeship in Non-Traditional Occupations <sup>1</sup> .....	1	.....	-1
Environmental Education, Environmental Protection Agency .....	10	.....	-10
Farm Service Agency Discretionary Conservation Programs, Department of Agriculture <sup>1</sup> .....	5	.....	-5
Federal Flight Deck Officer Program, Department of Homeland Security .....	25	.....	-25
Fissile Materials Disposition, Department of Energy .....	685	503	-182
Fossil Energy Research and Development, Department of Energy .....	534	421	-113
Geographic Programs, Environmental Protection Agency .....	30	17	-13
Global Hawk Unmanned Aerial Vehicle, Department of Defense .....	324	.....	-324
Grants for Abstinence-Only Programs, Department of Health and Human Services .....	5	.....	-5
Grants-in-Aid for Airports, Department of Transportation <sup>1</sup> .....	3,350	2,900	-450
Harry S. Truman Scholarship Foundation .....	1	.....	-1
Health Care Services Grant Program, Department of Agriculture <sup>1</sup> .....	3	.....	-3
Health Careers Opportunity Program, Department of Health and Human Services .....	15	.....	-15
High Energy Cost Grants, Department of Agriculture <sup>1</sup> .....	10	.....	-10

**DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS—Continued**  
(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
High Intensity Drug Trafficking Areas, Office of National Drug Control Policy .....	239	193	-46
High Mobility Multipurpose Wheeled Vehicle Modernized Expanded Capacity Vehicle Recapitalization, Department of Defense .....	4	.....	-4
HOME Investment Partnerships Program, Department of Housing and Urban Development .....	1,000	950	-50
Hospital Preparedness Program, Department of Health and Human Services .....	380	255	-125
Housing for Persons with Disabilities, Department of Housing and Urban Development .....	165	126	-39
Hypersonics, National Aeronautics and Space Administration <sup>1</sup> .....	25	4	-21
Impact Aid - Payments for Federal Property, Department of Education <sup>1</sup> .....	1,291	1,224	-67
International Forestry, Department of Agriculture <sup>1</sup> .....	8	4	-4
Investigator-Initiated Research Grants, Department of Health and Human Services .....	43	29	-14
Joint Air-to-Ground Missile Program, Department of Defense .....	235	21	-214
Joint High Speed Vessel, Department of Defense .....	372	3	-369
Light Attack and Armed Reconnaissance Aircraft, Department of Defense .....	115	.....	-115
Low Income Home Energy Assistance Program, Department of Health and Human Services .....	3,472	3,020	-452
Low-Priority Studies and Construction, Corps of Engineers <sup>1</sup> .....	1,819	1,440	-379
Mathematics and Physical Sciences Research Programs, National Science Foundation:			
Cerro Chajnator Atacama Telescope Design and Development .....	2	.....	-2
Cultural Heritage Science .....	4	.....	-4
Grid Computing .....	2	.....	-2
International Materials Institutes <sup>1</sup> .....	2	.....	-2
Mathematical Physics .....	2	.....	-2
Solar Energy Initiative (SOLAR) .....	2	.....	-2
University Radio Observatories .....	8	6	-2
Mine Safety and Health Administration State Grants Program, Department of Labor .....	8	.....	-8
Nanoscale Science and Engineering Centers, National Science Foundation .....	31	12	-19
National Drug Intelligence Center, Department of Justice <sup>1</sup> .....	20	.....	-20
National Heritage Areas, Department of the Interior <sup>1</sup> .....	17	9	-8
National Pre-Disaster Mitigation Fund, Department of Homeland Security .....	36	.....	-36
National Undersea Research Program, Department of Commerce <sup>1</sup> .....	4	.....	-4
National Wildlife Refuge Fund, Department of the Interior <sup>1</sup> .....	14	.....	-14
Office of Assistant Secretary Grant Programs, Department of Health and Human Services .....	89	67	-22
Office of the Special Trustee for American Indians, Department of the Interior .....	152	140	-12
Patient-Centered Health Research, Department of Health and Human Services <sup>1</sup> .....	17	.....	-17
Pest and Disease Programs, Department of Agriculture <sup>1</sup> .....	817	798	-19
Precision Tracking and Space System, Department of Defense .....	81	.....	-81
Presidio Trust .....	12	.....	-12
Preventive Health and Health Services Block Grant, Department of Health and Human Services <sup>1</sup> .....	80	.....	-80
PRIME Technical Assistance, Small Business Administration <sup>1</sup> .....	4	.....	-4
Promoting Greener Economies, Environmental Protection Agency .....	3	.....	-3
Public Broadcasting Grants, Department of Agriculture <sup>1</sup> .....	3	.....	-3
Public Outreach Programs, National Science Foundation:			
Communicating Science Broadly <sup>1</sup> .....	2	.....	-2
Connecting Researchers with Public Audiences <sup>1</sup> .....	4	.....	-4
REACH, Department of Health and Human Services .....	14	.....	-14
Rehabilitation Act Programs, Department of Education <sup>1</sup> .....	36	.....	-36
Research, Education, and Extension Grants, Department of Agriculture:			
Animal Health (Sec. 1433) <sup>1</sup> .....	4	.....	-4
Capacity Building: Non-Land Grant Colleges <sup>1</sup> .....	4	.....	-4
Competitive Grants for Policy Research <sup>1</sup> .....	4	.....	-4
Critical Agricultural Materials <sup>1</sup> .....	1	.....	-1
Farm Business Management and Benchmarking <sup>1</sup> .....	1	.....	-1
Food Animal Residue Avoid Database <sup>1</sup> .....	1	.....	-1
Forest Products Research <sup>1</sup> .....	1	.....	-1
Methyl Bromide Transition Program <sup>1</sup> .....	2	.....	-2

**DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS—Continued**  
(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
Potato Breeding Research (Competitive) <sup>1</sup> .....	1	.....	-1
Rangeland Restoration <sup>1</sup> .....	1	.....	-1
Rural Health and Safety <sup>1</sup> .....	2	.....	-2
Sungrants <sup>1</sup> .....	2	.....	-2
Supplemental and Alternative Crops <sup>1</sup> .....	1	.....	-1
Water Quality <sup>1</sup> .....	5	.....	-5
Youth Organizations <sup>1</sup> .....	1	.....	-1
Rural Access to Emergency Devices, Department of Health and Human Services <sup>1</sup> .....	1	.....	-1
Rural Community Facilities, Department of Health and Human Services <sup>1</sup> .....	5	.....	-5
Rural Hospital Flexibility Grant Programs, Department of Health and Human Services .....	41	26	-15
Rural Multifamily Housing Preservation Grants, Department of Agriculture <sup>1</sup> .....	4	.....	-4
Rural Single Family Housing Grant Programs, Department of Agriculture .....	60	35	-25
Sea-Based X-Band Radar, Department of Defense .....	177	45	-132
Second Line of Defense, Department of Energy <sup>1</sup> .....	262	140	-122
Sensors and Sensing Systems, Engineering Research Programs, National Science Foundation <sup>1</sup> .....	5	2	-3
Single Family Housing Direct Loans, Department of Agriculture <sup>1</sup> .....	43	10	-33
Standard Missile-3 Block IIB, Department of Defense .....	13	.....	-13
State and Volunteer Fire Assistance Grants, Department of Agriculture <sup>1</sup> .....	99	81	-18
State Criminal Alien Assistance Program, Department of Justice .....	240	.....	-240
State Indoor Radon Grant Program, Environmental Protection Agency .....	8	.....	-8
Streamline Federal Air Marshals Service, Department of Homeland Security .....	966	827	-139
Sunwise, Environmental Protection Agency .....	1	.....	-1
Superfund Remedial, Environmental Protection Agency .....	565	539	-26
Superfund Support to Other Federal Agencies, Environmental Protection Agency .....	6	.....	-6
T-AGOS Ocean Surveillance Ship, Department of Defense .....	10	.....	-10
Transfer Exit Lane Staffing Responsibilities to Airports, Department of Homeland Security .....	88	.....	-88
Valles Caldera, Department of Agriculture <sup>1</sup> .....	3	.....	-3
Water and Wastewater and Community Facilities Loan Guarantees, Department of Agriculture <sup>1</sup> .....	6	.....	-6
Water and Wastewater Grants and Loans, Department of Agriculture .....	504	304	-200
Watershed Rehabilitation Program, Department of Agriculture <sup>1</sup> .....	15	.....	-15
Wildland Fire Program/Hazardous Fuels Reduction, Department of the Interior .....	183	96	-87
<b>Total, Discretionary Cuts</b> .....	<b>25,172</b>	<b>16,216</b>	<b>-8,956</b>
<b>Consolidations</b>			
Central Utah Project, Department of the Interior .....	29	4	-25
Community Economic Development Program, Department of Health and Human Services .....	30	.....	-30
Data Centers Closures, Department of Defense .....	.....	-575	-575
Elementary and Secondary Education Act, Department of Education .....	.....	.....	.....
Family Self-Sufficiency, Department of Housing and Urban Development .....	75	75	.....
Food Aid Reform, Multi-Agency: .....	1,766	1,766	.....
<i>U.S. Agency for International Development</i> .....	300	1,741	1,441
<i>Department of Agriculture</i> .....	1,466	.....	-1,466
<i>Maritime Administration, Department of Transportation</i> .....	.....	25	25
Forest Service Integrated Resource Restoration, Department of Agriculture .....	805	757	-48
Higher Education Programs, Department of Education .....	.....	.....	.....
International Trade Administration Business Units, Department of Commerce .....	.....	-8	-8
NASA Education, National Aeronautics and Space Administration .....	.....	.....	.....
Rural Business & Cooperative Grants, Department of Agriculture .....	.....	.....	.....
Science, Technology, Engineering, and Mathematics (STEM) Consolidation, Multi-Agency: .....	.....	.....	.....
<i>Eliminated and Reorganized Programs Total - 90 Programs:</i>			
<i>Eliminated Programs and Redirected Funding - 78 Programs:</i>			
<i>Department of Agriculture - 6 Programs</i> .....	[11]		
<i>Department of Commerce - 6 Programs</i> .....	[13]		
<i>Department of Defense - 6 Programs</i> .....	[49]		

**DISCRETIONARY CUTS, CONSOLIDATIONS, AND SAVINGS—Continued**  
(Budget authority in millions of dollars)

	2012	2014	2014 Change from 2012
<i>Department of Energy - 8 Programs</i> .....	[11]		
<i>Department of Health and Human Services - 10 Programs</i> .....	[28]		
<i>Department of Homeland Security - 1 Program</i> .....	[1]		
<i>Environmental Protection Agency - 2 Programs</i> .....	[16]		
<i>National Aeronautics and Space Administration - 38 Programs</i> .....	[48]		
<i>Nuclear Regulatory Commission - 1 Program</i> .....	[0]		
<i>Reorganized Programs Within the Agency - 12 Programs:</i>			
<i>National Science Foundation - 11 Programs</i> .....	[118]		
<i>National Aeronautics and Space Administration - 1 Program</i> .....	[2]		
Self-Help and Assisted Homeownership Opportunity Program, Department of Housing and Urban Development .....	14	10	-4
State and Local Grants Reform, Department of Homeland Security .....			
United States Visitor and Immigrant Status Indicator Technology, Department of Homeland Security .....			
<b>Total, Discretionary Consolidations</b> .....	<b>2,719</b>	<b>2,029</b>	<b>-690</b>
<b>Savings</b>			
Agency-Wide Efficiency Savings, Department of Justice .....		-237	-237
B-83 Reserve Status, Department of Energy .....		-3	-3
Increased Flexibility for the U.S. Mint in Coinage, Department of the Treasury .....			
Internal Revenue Service Business Systems Modernization, Department of the Treasury .....	330	301	-29
Joint Polar Satellite System Savings, Department of Commerce .....	924	886	-38
Law Enforcement-Wide Administrative Efficiencies, Department of Justice .....		-93	-93
Pit Disassembly and Conversion Savings, Department of Energy .....	26		-26
Senate Campaign Finance Reports Electronic Submission, Federal Election Commission .....			
Streamline Farm Service Agency Operations, Department of Agriculture .....	1,199	1,176	-23
Technology Infrastructure Modernization, Environmental Protection Agency .....	186	179	-7
W 78/88 Life Extension Program, Department of Energy .....		-72	-72
<b>Total, Discretionary Savings</b> .....	<b>2,665</b>	<b>2,137</b>	<b>-528</b>
<b>Total, Discretionary Cuts, Consolidations, and Savings</b> .....	<b>30,556</b>	<b>20,382</b>	<b>-10,174</b>

<sup>1</sup> This cut has been identified as a lower-priority program activity for purposes of the GPRA Modernization Act, at 31 U.S.C. 1115(b)(10). Additional information regarding this proposed cut is included in the respective agency's Congressional Justification submission.

**MANDATORY CUTS AND SAVINGS**  
(Outlays and receipts in millions of dollars)

	2014	2015	2016	2017	2018	2014-2018	2014-2023
<b>Cuts</b>							
Coal Tax Preferences, Department of Energy:							
Domestic Manufacturing Deduction for Hard Mineral Fossil Fuels <sup>1</sup> .....	-33	-34	-36	-39	-40	-182	-409
Expensing of Exploration and Development Costs <sup>1</sup> .....	-25	-43	-45	-47	-49	-209	-432
Percent Depletion for Hard Mineral Fossil Fuels <sup>1</sup> .....	-113	-193	-196	-198	-201	-901	-1,982
Royalty Taxation <sup>1</sup> .....	-14	-31	-37	-42	-45	-169	-432
Eliminate Direct Payments, Department of Agriculture .....		-3,300	-3,300	-3,300	-3,300	-13,200	-29,700
Conservation Reserve Program, Department of Agriculture .....	15	15	-200	-220	-315	-705	-2,915
Conservation Stewardship Program, Department of Agriculture .....	-5	-50	-90	-130	-170	-445	-1,964
Crop Insurance Program, Department of Agriculture .....	-513	-1,005	-1,238	-1,244	-1,256	-5,256	-11,716
Geothermal Payments to Counties, Department of the Interior <sup>2</sup> .....	-4	-4	-5	-5	-5	-23	-48
Oil and Gas Company Tax Preferences, Department of Energy:							
Increase Geological and Geophysical Amortization Period for Independent Producers to Seven Years <sup>1</sup> .....	-60	-220	-333	-304	-221	-1,138	-1,363
Repeal Credit for Oil and Gas Produced from Marginal Wells <sup>1</sup> .....							
Repeal Deduction for Tertiary Injectants <sup>1</sup> .....	-8	-12	-12	-11	-11	-54	-107
Repeal Domestic Manufacturing Tax Deduction for Oil and Natural Gas Companies <sup>1</sup> .....	-1,119	-1,926	-1,951	-1,944	-1,884	-8,824	-17,447
Repeal Enhanced Oil Recovery Credit <sup>1</sup> .....							
Repeal Exception to Passive Loss Limitations for Working Interests in Oil and Natural Gas Properties <sup>1</sup> .....	-7	-10	-9	-8	-8	-42	-74
Repeal Expensing of Intangible Drilling Costs <sup>1</sup> .....	-1,663	-2,460	-2,125	-1,639	-1,099	-8,986	-10,993
Repeal Percentage Depletion for Oil and Natural Gas Wells <sup>1</sup> .....	-1,039	-1,044	-1,042	-1,041	-1,045	-5,211	-10,723
Offset Disability Benefits for Period of Concurrent Unemployment Insurance Receipt	-100	-100	-100	-100	-100	-500	-1,000
Ultradeep Oil and Gas Research and Development Program, Department of Energy <sup>2</sup> .....	-20	-20	-10			-50	-50
Payments to Guarantee Agencies - Federal Family Education Loan Program .....	-3,657					-3,657	-3,657
Unrestricted Abandoned Mine Lands Payments, Department of the Interior <sup>2</sup> .....	-32	-33	-27	-31	-40	-163	-327
<b>Total, Mandatory Cuts</b> .....	<b>-8,397</b>	<b>-10,470</b>	<b>-10,756</b>	<b>-10,303</b>	<b>-9,789</b>	<b>-49,715</b>	<b>-95,339</b>
<b>Savings</b>							
FECA Reform, Department of Labor  .....	-9	-10	-19	-29	-39	-106	-462
Federal Employee Health Benefits Program Reforms, Office of Personnel Management .....		-422	-665	-725	-794	-2,606	-8,367
Health Care (Medicaid Proposals), Department of Health and Human Services .....	-301	-1,051	-1,401	-1,397	-1,316	-5,466	-16,914
Health Care (Pharmaceuticals), Department of Health and Human Services <sup>3</sup> .....	-740	-870	-1,000	-1,150	-1,330	-5,090	-14,280
Medicare Provider Payment Modifications, Department of Health and Human Services <sup>3,4</sup> .....	-5,630	-13,460	-17,560	-22,000	-26,810	-85,460	-306,230
<b>Total, Mandatory Savings</b> .....	<b>-6,680</b>	<b>-15,813</b>	<b>-20,645</b>	<b>-25,301</b>	<b>-30,289</b>	<b>-98,728</b>	<b>-346,253</b>
<b>Total, Mandatory Cuts and Savings</b> .....	<b>-15,077</b>	<b>-26,283</b>	<b>-31,401</b>	<b>-35,604</b>	<b>-40,078</b>	<b>-148,443</b>	<b>-441,592</b>

<sup>1</sup>This cut has been identified as a lower-priority program activity for purposes of the GPRA Modernization Act, at 31 U.S.C. 1115(b)(10). Additional information regarding this proposed cut is included in the Governmental Receipts chapter of the Analytical Perspectives volume.

<sup>2</sup>This cut has been identified as a lower-priority program activity for purposes of the GPRA Modernization Act, at 31 U.S.C. 1115(b)(10). Additional information regarding this proposed cut is included in the respective agency's Congressional Justification submission.

<sup>3</sup> Medicare savings estimates do not include interactions.

<sup>4</sup>In addition to the savings reported on this table, the Budget includes an additional \$67.8 billion in 10-year savings for Medicare Structural Reforms, as detailed on table S-9.



The SAVE Award logo denotes a proposal that was suggested by a Federal employee through the SAVE Award program.

## ADMINISTRATIVELY IMPLEMENTED CONSOLIDATIONS AND SAVINGS

(In millions of dollars)

	2013	2014	2013-2017
<b>Department of Education</b>			
Workspace Redesign and Consolidation 	0.00	0.00	-3.00
<b>Department of Health and Human Services</b>			
FreeStuff 	-0.25	-0.38	-1.50
<b>Department of Homeland Security</b>			
Post Customs Inspection Information Online 	*	*	*
<b>Department of the Interior</b>			
Leverage Digital Recording Technology Instead of Court Reporters 	0.00	-0.13	-1.63
Standardize Relocation Policies and Processes by Implementing Shared Services 	0.00	-0.11	-1.49
<b>Department of Justice</b>			
Encourage Use of Non-Contract Airfares 	-2.50	-2.50	-12.50
Reduce Unnecessary Publications Acquisitions 	-0.19	-0.19	-0.95
Reexamine Contract Structure 	0.00	-0.73	-27.13
<b>Department of Labor</b>			
Bureau of Labor Statistics' International Labor Comparisons Program	-2.00	-2.00	-10.00
Regional Office Consolidations	0.00	-3.80	-15.89
Wage and Hour Division Questionnaire Postage 	-0.07	-0.16	-0.78
<b>Department of State and Other International Programs</b>			
Change Printer Default Settings to Copier/Scanners 	-0.60	-0.10	-0.80
Increase Tech Literacy to Eliminate Physical Assets & Operating Expenditures 	-0.60	-0.60	-5.70
Use of Online Federal Acquisition Regulation 	-0.20	0.00	-0.80
<b>Department of the Treasury</b>			
Order Electronic Transcripts Online 	0.00	0.00	-14.25
Replace Lighting with LED Technology 	-0.01	-0.09	-0.62
Savings from IRS Space Optimization	0.00	-76.70	-76.70
<b>National Aeronautics and Space Administration</b>			
Eliminate Cell Phones and Offer Allowance 	*	*	*
<b>National Science Foundation</b>			
Consolidation of Mobile Devices 	0.00	-0.05	-0.18
Increased Use of Virtual Meetings 	-1.78	-1.78	-8.92
<b>Consumer Product Safety Commission</b>			
Use Electronic Travel System 	-0.10	-0.10	-0.40
<b>Multi-Agency</b>			
Reduce Employee Shuttle Buses 	*	*	*
Senior Transit Savings 	0.00	-3.00	-12.00

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.



The SAVE Award logo denotes this savings action was suggested by a Federal employee through the SAVE Award program.

**ADMINISTRATIVE SAVINGS**  
(In millions of dollars)

	2013 Savings Target
Department of Agriculture .....	-196
Department of Commerce .....	-184
Department of Defense .....	-4,731
Department of Education .....	-11
Department of Energy .....	-223
Department of Health and Human Services .....	-881
Department of Homeland Security .....	-866
Department of Housing and Urban Development .....	-12
Department of the Interior .....	-205
Department of Justice .....	-160
Department of Labor .....	-61
Department of State .....	-182
Agency for International Development .....	-15
Department of Transportation .....	-156
Department of the Treasury .....	-241
Department of Veterans Affairs .....	-175
Corps of Engineers -- Civil Works .....	-77
Environmental Protection Agency .....	-72
General Services Administration .....	-56
National Aeronautics and Space Administration .....	-202
National Science Foundation .....	-19
Office of Personnel Management .....	-4
Small Business Administration .....	-3
Social Security Administration .....	-81
<b>Total .....</b>	<b>-8,812</b>