



BRIEF ANALYSIS PRESIDENT OBAMA'S FY 2010 BUDGET

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February 27, 2009

Brief Analysis of President Obama's FY 2010 Budget Blueprint "A New Era of Responsibility: Renewing America's Promise"

Overview

President Obama's FY 2010 budget blueprint, "A New Era of Responsibility: Renewing America's Promise," takes important steps toward reducing our dependence on foreign energy, striving for excellence in education, and reforming our health care system. And it cuts the deficit by more than half by 2012.

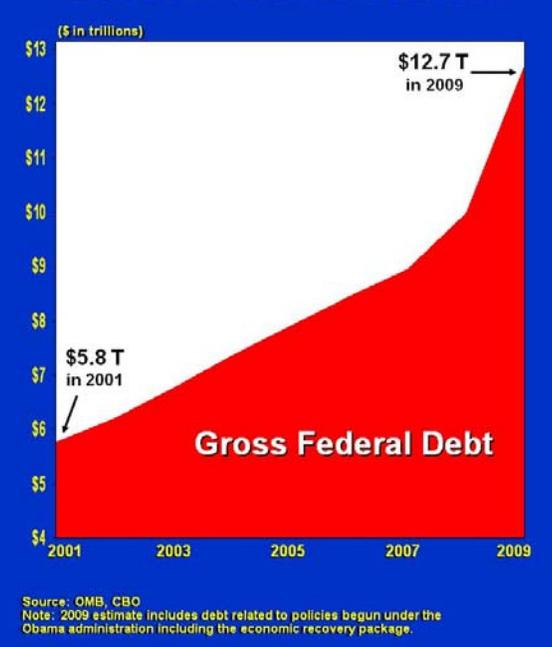
What President Obama is Inheriting

Unfortunately, President Obama has inherited a colossal mess. We are now in the midst of the worst recession since the Great Depression. We face housing and financial market crises that have wiped out home values and left credit markets largely frozen. We have lost 2.5 million jobs in the last five months. We have ongoing wars in Iraq and Afghanistan. And we have seen record deficits and a doubling of the national debt over the last eight years.

The Obama administration is now projecting the deficit will reach \$1.75 trillion in 2009. Some of that deficit will result from the American Recovery and Reinvestment Act of 2009 (hereafter referred to as the economic recovery package) and the additional funds likely needed to shore up the financial sector this year, but the vast majority – about \$1.3 trillion – represents the deficit handed to President Obama when he took office.

We saw federal debt soar under the Bush administration. Gross debt rose from \$5.8 trillion in 2001 to a projected \$12.7 trillion this year. Again, that \$12.7 trillion includes some debt resulting from the economic recovery package and anticipated additional funding to respond to the financial crisis this year. But that additional debt load is directly a function of the collapsed economy – a collapse that occurred under the watch of President Bush.

Federal Debt Soars Under Bush Administration



Actions Taken by Obama Administration So Far

The Obama administration has already taken a number of important steps in response to the challenges it inherited. It passed an economic recovery package to help jumpstart our economy; it presented plans to address the financial market and housing crises; and it held a Fiscal Responsibility Summit to begin addressing the long-term fiscal imbalance facing the nation.

Key Improvements Over Bush Budgets

President Obama's budget includes a number of key improvements over what Congress received from the Bush administration each year.

More Transparency - Accounts for War Costs. Unlike Bush administration budgets, which repeatedly left out or understated likely war costs, President Obama's budget includes a far more honest accounting of the likely costs for the wars in Iraq and Afghanistan in the years ahead. By requesting the base Department of Defense budget and war funding simultaneously and separately, the budget will enhance oversight of those funds and save vital defense resources.

Better Priorities. The budget invests in priorities such as energy, education, and health care that will be critical to the nation's long-term economic security. The budget proposes significant investments in new energy technologies to reduce our dependence on foreign oil. It proposes boosting education spending to ensure our workforce is more competitive in the global economy. And it calls for dramatic reforms in our health care system to improve the quality of care, expand coverage, and reduce costs.

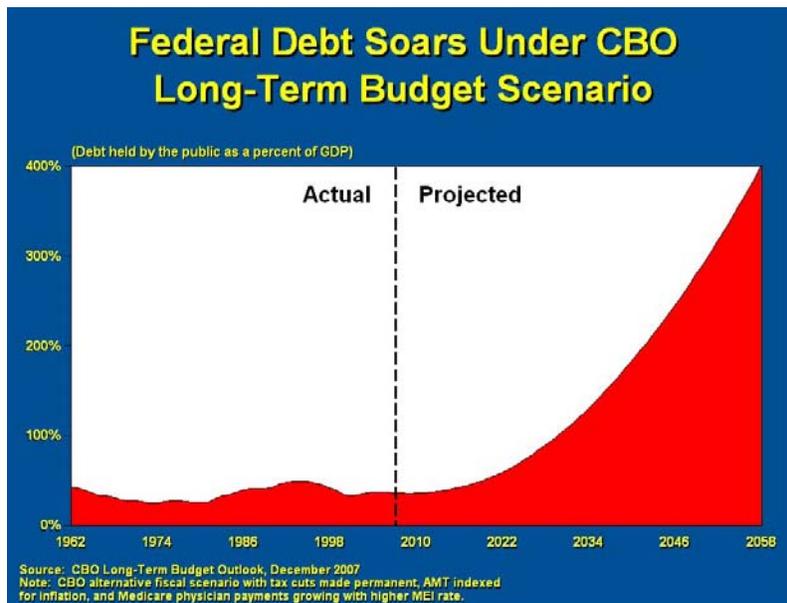
Cutting Deficit in Half

President Obama calls for cutting the deficit in half during his first term in office. Specifically, the budget will cut the deficit by more than half from the \$1.3 trillion deficit level that the administration inherited from the Bush administration this year, to \$581 billion in 2012.

Obama 2010 Budget Outlook							
(\$ billions)	2009	2010	2011	2012	2013	2014	2010-14
Spending	3,938	3,552	3,625	3,662	3,856	4,069	18,764
Revenues	2,186	2,381	2,713	3,081	3,323	3,500	14,997
Deficit	-1,752	-1,171	-912	-581	-533	-570	-3,767
Gross Debt	12,704	14,078	15,272	16,193	17,116	18,065	
(% of GDP)							
Spending	27.7	24.1	23.4	22.2	22.0	22.1	22.8
Revenues	15.4	16.2	17.5	18.7	19.0	19.0	18.1
Deficit	-12.3	-8.0	-5.9	-3.5	-3.0	-3.1	-4.7
Gross Debt	89.2	95.6	98.5	98.3	97.8	98.3	

Need for Further Action to Address Long-Term Fiscal Imbalance

The combination of our retiring Baby Boom generation, soaring health care costs, and an outdated and inefficient revenue system are projected to explode federal debt. CBO's long-term debt outlook released in December 2007 showed that on our current course federal debt will rise to 400 percent of GDP by 2058. That is clearly unsustainable. The economic downturn over the last year has only worsened that long-term debt outlook.



Soaring health care costs are the biggest source of that debt explosion. The President's budget responds with a major health care reform initiative, which is to be done on a deficit-neutral basis. It will be critical for that effort to follow up on the health care investments made in the recently passed economic recovery package, such as funding for health information technology and comparative effectiveness research. Over time, these investments and other steps can help us to bend the cost curve on health care and put our health care accounts back on a sustainable course. President Obama has indicated his budget represents just a first step, and much more will be needed to put the federal budget on a sound long-term fiscal course. At his Fiscal Responsibility Summit on February 23, the President stated:

"Now, I want to be very clear. While we are making important progress towards fiscal responsibility this year, in this budget, this is just the beginning. In the coming years, we'll be forced to make more tough choices, and do much more to address our long-term challenges."

The Fiscal Responsibility Summit initiated an open bipartisan dialogue on this subject. That dialogue will hopefully lead to a consensus on establishing a special bipartisan process to deal with these long-term fiscal issues. No matter how successful we are in pulling out of the current economic downturn, our long-term economic security will remain in jeopardy until we address this projected long-term fiscal imbalance.

Tax Proposals

The President's budget proposes a range of revenue provisions that provide tax relief to individuals and businesses. In addition, the budget would raise revenue by closing tax loopholes and through a cap-and-trade system. It also suggests a revenue-raising proposal to help offset the cost of health reform. In total, all of these provisions would reduce revenues by \$2.2 trillion over ten years.

Revenue Proposals in Obama 2010 Budget	
(\$ billions)	2010-2019
Make permanent 2001 and 2003 tax provisions for those under \$250,000; estate tax at 2009 level	-2,045
Making Work Pay; other individual and business tax relief	-940
AMT relief	-576
Cap and trade	+646
Loophole closures and international reforms	+353
Net tax cuts in budget	-2,562
Limit itemized deductions (in health reform reserve fund)	+318
Net tax cuts, including reserve fund revenues	-2,244

Note: Totals include the refundable portion of tax proposals.

2001 and 2003 Tax Provisions. The tax provisions enacted in 2001 and 2003 are slated to expire at the end of 2010. The budget proposes to make permanent those provisions providing tax relief to the middle class, while limiting or ending provisions that benefit only those with high incomes. Overall, these proposals would reduce revenues by \$2.0 trillion over ten years, 2010 through 2019.

- Middle-class tax relief from 2001 – The budget assumes the three middle-class provisions – the 10 percent bracket, marriage penalty relief, and the Child Tax Credit – are permanently extended. Other provisions enacted in 2001 that would be extended in the budget include the 25 percent and 28 percent brackets, the adoption tax credit, and the dependent care tax credit.
- Upper-income provisions from 2001 – The budget proposes to reinstate the top two income tax brackets (36 percent and 39.6 percent), the limitation on itemized deductions (known as “Pease”), and the phase-out of the personal exemption (known as “PEP”). These provisions would apply to couples with incomes over \$250,000 (or \$200,000 for individuals) starting in 2011.
- Capital gains and dividends – The budget proposes to set the top capital gains and dividends rate at 20 percent for couples with incomes over \$250,000 (or \$200,000 for individuals) starting in 2011. At lower income levels, the current treatment of capital gains and dividends would be continued, with a top rate of 15 percent. (Note that prior to 2003, the top capital gains rate was 20 percent, and dividends were taxed at the regular income tax rates.)
- Estate tax – The budget assumes that the estate tax, as it is in effect in 2009, is permanently extended, and indexed to inflation. In 2009, the estate tax exemption is \$3.5 million (\$7 million for a couple), and the top rate is 45 percent.

AMT Relief. The budget assumes that the current AMT relief in 2009 is continued with inflation. This policy would cost \$576 billion over ten years. (Note: The administration’s estimates reflect the cost of AMT relief absent other tax changes. The interaction of AMT relief with other tax changes is therefore included in the cost of those provisions.)

EITC and Child Tax Credit Expansions. The budget proposes to make permanent the expansions of the Earned Income Tax Credit and the Child Tax Credit enacted as part of the economic recovery package for 2009 and 2010. The EITC expansion increases the credit for families with three or more children and provides additional relief for low-income married couples, while the CTC expansion lowered to \$3,000 the income threshold for eligibility for a refundable credit. The two proposals would cost \$103 billion over ten years.

Education Tax Incentives. The budget proposes to make permanent the American Opportunity Tax Credit, which was enacted as part of the economic recovery package for 2009 and 2010. This tax credit expands the Hope Credit, increasing the credit amount to \$2,500 and making it available for four years; in addition, a portion of the benefit (40 percent) is available to those with no income tax liability. The proposal would cost \$75 billion over ten years.

Savings Incentives. The budget includes tax incentives to boost savings. The proposals would expand the “saver’s credit,” including making it fully refundable; mandate automatic enrollment in employer-provided 401(k) plans (thereby requiring employees to opt out of the plan if they did not want to contribute); and require employers that do not offer 401(k)s to offer automatic enrollment in IRAs, allowing employees to contribute through payroll tax deductions. These proposals would reduce revenues by \$55 billion over ten years.

Making Work Pay (and Cap-and-Trade Revenues). The budget proposes to extend the Making Work Pay Credit, which was enacted as part of the economic recovery package for 2009 and 2010. The credit is equal to 6.2 percent of earned income up to a maximum of \$400 for individuals and

\$800 for couples. The credit phases out for individuals with income above \$75,000 and couples above \$150,000. Continuing the credit would reduce revenues \$537 billion over ten years. The budget indicates that extension of this tax relief would be contingent on the enactment of climate change legislation, which would raise more than \$646 billion through a cap-and-trade policy. This amount is sufficient to offset the cost of the credit as well as fund \$15 billion a year in green energy and technology initiatives. Amounts above \$646 billion, which were not specified in the budget, would be dedicated to vulnerable families, communities, and businesses to help with the transition to a clean energy economy.

Business-Related Tax Provisions. The budget proposes making permanent the R&E credit, which costs \$74 billion over ten years. In addition, the budget proposes to eliminate capital gains taxation on certain small business stock held for more than five years, and to expand the net operating loss carryback.

Aviation Excise Taxes. The budget proposes to modify Federal Aviation Administration financing by replacing aviation excise taxes with direct user charges. The user charges are considered discretionary and offset discretionary budget authority and outlays.

Extenders. The budget proposes to extend for one year (through 2010) a number of provisions that expire at the end of 2009 and that have been extended in previous years. The cost of this one-year extension would be \$21 billion.

Loophole Closers and Other Revenue Raisers. The budget proposes loophole closers and other tax provisions that raise \$353 billion over ten years. About two-thirds of this total – \$210 billion – reflects improvements to international tax enforcement; changes to the current policy that allows deferral of taxation of certain income earned overseas; and other reforms to reduce the “tax gap,” which is the difference between what is owed to the government in taxes and what is actually collected. The budget also proposes to eliminate \$32 billion of oil and gas preferences. In addition, the budget proposes the following: reinstate Superfund Taxes; tax carried interest as ordinary income; codify the “economic substance” doctrine; require information reporting for rental payments; and repeal the inventory accounting method known as “last-in-first-out,” or LIFO.

Limitation on Itemized Deductions. The budget includes a proposal to limit the benefit of itemized deductions as part of a deficit-neutral reserve fund for health care reform. This proposal would limit to 28 percent the rate at which itemized deduction could reduce tax liability for couples with incomes over \$250,000 (and individuals above \$200,000), raising \$318 billion over ten years. This revenue, in addition to savings from reducing Medicare and Medicaid spending, is intended to help cover the cost of health reform. Because these proposals are part of a deficit-neutral reserve fund, and the administration has yet to provide details on how the offsets will be used to finance reforms in health care, their impact was not included in the budget totals by the Obama administration. (See discussion of the health care reserve fund in the mandatory spending section.)

Discretionary Spending Proposals

The budget includes \$1.1 trillion in regular discretionary budget authority (BA) and obligation limitations. This includes \$533.7 billion for the Department of Defense (DOD) and \$599.1 billion for non-defense discretionary programs.

After 2010, discretionary spending grows at a modest rate under the budget, declining each year as a percentage of GDP.

The budget also includes \$82.6 billion for 2009 supplemental appropriations, \$75.5 billion for overseas contingency operations, and \$7.1 billion for international affairs funding. For 2010, the budget includes \$130 billion in appropriations for overseas contingency operations. In years beyond 2011, the budget includes \$50 billion in each year to recognize the need for continued resources for overseas engagements. This recognition represents a significant improvement in the honesty and transparency of such requests over the previous administration.

Program Integrity. The budget proposes \$1.9 billion in 2010 for program integrity initiatives intended to expand oversight activities in federal benefit programs and improve tax compliance and enforcement activities. In addition, the budget includes funding for a new federal-state partnership to reduce error and improper payments in federal means-tested programs administered by the states. The budget calls for this funding to be provided through a discretionary allocation adjustment. The budget also includes an initiative to require states to share certain pension data with the Social Security Administration.

Discretionary Funding in Obama Budget for 2010		
Discretionary budget authority and obligation limitations (\$ billions)	2009 Enacted*	Obama Budget
DOD	513.4	533.7
Non-defense agencies	544.6	599.1
<i>Budget authority</i>	<i>490.9</i>	<i>544.8</i>
<i>Obligation limitations**</i>	<i>53.7</i>	<i>54.3</i>
Total budget authority and obligation limitations	1,058.0	1,132.8

*CBO's estimate of the 2009 enacted level, excluding emergency funding and changes in mandatory programs. The level is adjusted for comparability purposes to exclude discretionary Pell Grant funding, which the budget proposes to classify as mandatory spending.

**The budget proposes to reclassify obligation limitations as discretionary BA.

Note: For 2009, the administration also includes "recurring" funding that was originally designated as emergency funding.

Defense. The budget proposes \$533.7 billion in 2010 for the Department of Defense, which is \$20.3 billion more than the 2009 enacted level, exclusive of war funding and defense spending in the economic recovery package.

While full programmatic details will be provided later, the administration has indicated that the budget funds the expansion of the Army and Marine Corps in order to enhance military readiness and reduce the strain of multiple, extended deployments on current servicemembers. Additionally, the budget includes funding to modernize military barracks and dormitories, and to improve medical care and housing for wounded servicemembers.

The Department of Defense has had serious trouble with cost growth in its weapons acquisition programs. The Government Accountability Office has found that the total acquisition cost of the Pentagon's 2007 portfolio of major programs has grown by nearly \$300 billion over initial estimates. The Obama administration has announced that it will make reform of the acquisition process a top priority in order to get the best possible value for defense spending.

War Funding. The budget includes a 2009 war request of \$82.6 billion – \$75.5 billion for the Defense Department and \$7.1 billion in international affairs funding. If enacted, this will bring total war funding for 2009 to \$152.6 billion.

The 2010 war request is \$130 billion. Unlike in past years, these funds are not designated as an emergency. The budget also includes an annual allowance of \$50 billion for potential future war costs from 2011 onward.

Non-Defense Agencies. The budget blueprint provides limited details on discretionary funding. Greater detail will be provided in April when the full budget is released. Below is a table that shows agency totals, followed by a description of highlights from different agencies.

Agency Funding in Obama Budget for 2010		
Discretionary budget authority and obligation limitations (\$ billions)	2009 Enacted*	Obama Budget
Agriculture	24.0	26.0
Commerce	9.3	13.8
Education**	46.2	46.7
Energy	26.5	26.3
Health and Human Services	77.3	78.7
Homeland Security	41.8	42.7
Housing and Urban Development	41.3	47.5
Interior	11.2	12.0
Justice	25.6	23.9
Labor	12.4	13.3
State and International Programs***	36.2	51.7
Transportation	70.4	72.5
Treasury	12.7	13.3
Veterans Affairs	47.6	52.5
Corps of Engineers	5.4	5.1
National Aeronautics and Space Administration	17.8	18.7
National Science Foundation	6.5	7.0
Social Security Administration	8.5	9.7
Environmental Protection Agency	7.6	10.5
Small Business Administration	0.6	0.7
Infrastructure Bank	0.0	5.0

*2009 enacted reflects CBO's estimate of discretionary BA excluding changes in mandatory programs and emergency funding. For comparability purposes, discretionary Pell Grant funding has been removed and obligation limitations have been added to the DOT BA level.

**For comparability purposes, increases in advance appropriations for 2010 are shown in the 2009 enacted level.

***2009 enacted level excludes enacted and proposed emergency funding. 2010 level includes some Iraq and Afghanistan funding formerly provided on an emergency basis.

Rural Broadband. The budget provides \$1.3 billion in loans and grants for rural broadband services.

Education Reform. The budget provides funding to support innovative strategies to improve student achievement, as well as improve student assessments. In addition, the budget will put

additional resources toward teacher training and principal preparation programs and support programs at the State and local level that reward strong teacher performance.

Early Childhood Education. The budget provides additional investments in early childhood education that will incentivize State and local governments to invest in high quality, early education programs that help ensure all children show up for kindergarten ready to learn.

NIH Cancer Research. The budget includes over \$6 billion for cancer research at the National Institutes of Health (NIH) as part of a larger multi-year commitment to double cancer research.

Indian Health. The budget includes over \$4 billion for the Indian Health Service (IHS) to support and expand health care services and public health programs for American Indians and Alaska Natives.

Health Professions Workforce. The budget includes \$330 million to increase the number of health professionals practicing in areas experiencing shortages of doctors, nurses, and dentists.

Improving Food Safety. The budget includes over \$1 billion for the Food and Drug Administration to improve food safety efforts.

Home Energy Assistance. The budget includes \$3.2 billion for the Low-Income Home Energy Assistance Program (LIHEAP) to help low-income families with their home heating and cooling expenses.

Community Development Block Grant (CDBG). The budget provides full funding for the CDBG at \$4.5 billion for 2010. The President also calls for reforms to create a more effective formula that better targets funds to distressed communities.

Increased Funding for Project-Based Rental Assistance. The budget includes an increase for Section 8 project-based rental assistance which will preserve 1.3 million affordable rental units. This funding will assist low-income households in obtaining decent and safe rental units in privately owned housing.

Fire Suppression. The President's budget requests \$357 million (\$75 million for the Department of the Interior and \$282 million for the Forest Service) to more fully fund wildfire suppression. This additional funding will be available after the ten-year average for wildfire suppression has been appropriated, the funds have been spent, and the President determines that there is a need for additional funding.

Border Security. The budget provides funding to support 20,000 Border Patrol agents.

COPS. The budget provides funding to begin to put 50,000 more cops on the beat by expanding hiring grants under the Community Oriented Policing Services grant program.

State Department and other international programs. The budget provides refocused diplomatic and counter-terrorism resources in Iraq, Afghanistan and Pakistan; funding for international law enforcement, counter-proliferation, and counter-terrorism activities; and increases for global health programs, including HIV/AIDs, Malaria and Tuberculosis.

Transportation. The budget builds on the \$48.1 billion in one-time funding provided in the economic recovery package to rebuild aging highways, bridges, and transit systems, and provide

investment in high speed rail. The 2010 budget proposes a \$1 billion per year high speed rail grant program over five years; \$800 million in 2010 for Next Generation Air Transportation System in the Federal Aviation Administration; and \$5 billion per year over five years to create a National Infrastructure Bank, which will be designed to directly invest and leverage other governmental and private funding sources for infrastructure projects of national or regional benefit. Additionally, the budget proposes to change the budgetary treatment of transportation programs to show both budget authority and outlays as discretionary. (Currently, transportation outlays are classified as discretionary and the budget authority is classified as mandatory.)

Veterans. The budget for the Department of Veterans Affairs will provide high quality health care to 5.5 million veterans and support additional veteran's specialty care for prosthetics and spinal cord injuries, as well as support expanded eligibility for VA health care to modest-income veterans and bring in over 500,000 veterans to the VA health system.

Environmental Protection Agency. The budget includes \$10.5 billion for the Environmental Protection Agency. This includes \$3.9 billion for the EPA's Clean Water and Drinking Water State Revolving Funds, a funding level that will be sufficient to fund over 1,000 clean water and nearly 700 drinking water projects annually, based on average project costs.

NASA. The President proposes funding for the National Aeronautics and Space Administration to help reduce the gap in human space flight, boost global climate change research and monitoring, and support U.S. involvement in the International Space Station.

Mandatory Spending Proposals

Health Reform Reserve Fund. The budget includes a deficit-neutral "Health Reform Reserve Fund" that includes \$633.8 billion over ten years in savings and revenues to offset the cost of health reform. The offsets are nearly equally divided between new tax revenues and spending reductions in Medicare and Medicaid. Approximately \$317.8 billion in new tax revenue is generated over ten years by limiting the rate applied to itemized deductions for families with incomes over \$250,000 to 28 percent. Approximately \$316 billion in Medicare and Medicaid savings is generated over ten years by:

- 1) aligning payments to hospitals and physicians toward quality rather than volume of service delivery through mechanisms such as reducing Medicare hospital readmission rates and creating hospital quality incentive payments;
- 2) increasing efficiency and accountability in Medicare and Medicaid through mechanisms such as implementing competitive bidding for Medicare Advantage, aligning home health payments with costs, bundling hospital and post-acute care payments, and making changes to the Medicaid drug rebate; and
- 3) by increasing Medicare Part D premiums for higher-income beneficiaries.

The administration has not outlined a detailed proposal in its budget blueprint for how to spend the reserve fund, but has expressed a commitment to constraining health care costs, expanding access, and improving quality in a fiscally responsible manner. The administration identified the following eight principles to guide health reform: reduce the growth in health care premiums for individuals and businesses; reduce inefficiencies in the health care system, such as high administrative costs and unnecessary tests and services; place the country on a clear path to universal coverage; promote portability and guaranteed issue of coverage; maintain individual choices in health plans and physicians; invest in public health and prevention to address cost drivers in health care, such as obesity; improve the safety and quality of care by making changes in

our delivery system that reduce the variability of patient care, increase the use of health information technology, and support the development of comparative effectiveness research; and, maintain long-term fiscal sustainability by ensuring a health reform plan is budget neutral.

Medicare Physician Payments. The budget assumes additional expected Medicare physician payments, including freezing payment rates at their 2009 level through 2019. This change is estimated to cost \$330 billion over ten years.

TMA/QI. The budget assumes continuation of the Transitional Medical Assistance and the QI-1 program, which requires state Medicaid programs to pay the Medicare Part B premiums for individuals who are not Medicaid eligible and who have incomes between 120 and 135 percent of the federal poverty level (and assets below \$4,000/\$6,000). This costs \$17 billion over ten years.

Climate Change. The budget assumes approximately \$646 billion in revenues through 2019 (starting in 2012) from a proposal to establish a cap-and-trade program for greenhouse gas emissions. The President's proposal will be designed to reduce greenhouse gas emissions approximately 14 percent below 2005 levels by 2020, and approximately 83 percent below 2005 levels by 2050. The revenues would be used to fund clean energy technology initiatives (\$150 billion over ten years beginning in 2012) and compensate families through the President's "Making Work Pay" tax cut. In addition, revenues above \$646 billion, which were not specified in the budget, would be dedicated to vulnerable families, communities, and businesses to help with the transition to a clean energy economy.

Pell Grants and Other Education. The budget provides increases in Pell grants for college students. Under the proposal, which would move Pell grants from the discretionary side of the budget to the mandatory side, the Pell grant would be \$5,550 in 2010, \$200 above the anticipated level for 2009, including the increases provided in the economic recovery package. In the outyears, the grant amount would grow faster than inflation. In total, the proposal would cost \$116.9 billion over ten years. In addition, the budget provides \$2.5 billion over ten years for the College Access and Completion Incentive Fund to support innovative efforts to expand post-secondary access and completion rates for low-income students.

The budget offsets part of the cost of these student aid proposals by eliminating bank-based student loans and shifting to Direct Lending of student loans (saving \$47.5 billion over ten years) and modernizing the Perkins loan program (saving \$6.5 billion over ten years).

Agriculture. The budget proposes \$16 billion in cuts to agriculture programs over ten years, almost all from farm safety net programs. It also contains almost \$650 million in new user fees for agriculture over ten years. The budget's agriculture proposals include:

- Direct payment reduction – Over three years, direct payments would be phased out to farms that have over \$500,000 in annual sales.
- Crop insurance reductions – Premium subsidies would be reduced for both farmers and insurance companies.
- Payment limit reform – The commodity program payment limit would be set at \$500,000.
- Eliminate cotton storage payments – The requirement for USDA to pay the storage costs of cotton that is put under loan would be eliminated.
- Market Access Program reform – Market Access Program funding would be reduced by \$40 million per year, or 20 percent.

Reauthorization of Child Nutrition Programs. The budget includes \$9.9 billion in mandatory funding over ten years for the reauthorization of child nutrition programs which are authorized through 2009. Federal child nutrition programs include the School Breakfast and the National School Lunch Programs, the Summer Food Service Program (SFSP), the Child and Adult Care Food Program (CACFP), and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). The WIC program is a discretionary program.

TANF Supplemental Grants. The budget includes \$2.9 billion over ten years to extend the Temporary Assistance for Needy Families (TANF) Supplemental grants. These grants are currently extended through the end of 2010.

LIHEAP Trigger. The budget includes a proposal for a new trigger mechanism for the Low-Income Home Energy Assistance Program (LIHEAP) to provide automatic increases in energy assistance whenever there is a spike in energy costs. This funding mechanism when triggered would provide supplemental mandatory LIHEAP funding. However, the base LIHEAP program will remain discretionary. The budget includes \$3.2 billion in discretionary LIHEAP funding in 2010. The budget estimates supplemental mandatory LIHEAP funding of \$4.3 billion over ten years as a result of this trigger.

Reform Trade Adjustment Assistance. The budget includes \$4.6 billion over ten years for the reform of the Trade Adjustment Assistance (TAA) Program. The economic recovery package included a two-year expansion and extension of TAA programs.

Change Extended Unemployment Insurance Trigger. The budget includes \$21 billion over ten years for a proposal that changes when the extended benefits (EB) unemployment insurance program is triggered. The EB program is currently triggered when a state's unemployment rate reaches a certain level. The administration proposes to make the EB program more responsive to changing economic conditions and make benefits available more quickly to long-term unemployed workers.

Unemployment Insurance Integrity. The budget includes a proposal to improve the integrity of the unemployment insurance program. The proposal would include authorization to collect benefit overpayments through garnishment of federal income tax refunds and increase state efforts to go after benefit overpayments and UI tax evasion by allowing them to use a portion of recovered funds on fraud and error reduction.

Financial Stabilization. The budget includes a \$250 billion reserve for additional financial stabilization efforts. Although the budget does not request additional funds, the budget notes that this is a placeholder that would support \$750 billion in asset purchases.

Housing. The budget assumes \$1 billion for an Affordable Housing Trust Fund that was originally authorized in the Housing and Economic Recovery Act of 2008.

Concurrent Receipt. The budget proposes to expand concurrent receipt of military retired pay and Veterans Disability Compensation to retirees who were medically retired from active service. Under current law, these benefits are offset. The proposal is estimated to cost DOD \$5.4 billion over ten years and to cost VA \$520 million over ten years.

Spectrum Auctions. The budget assumes \$6.4 billion in savings over ten years from spectrum auctions and new fees at the Federal Communications Commission. The administration would provide the FCC with the authority to collect spectrum license user fees on unauctioned spectrum

licenses, for savings of \$4.8 billion over ten years. It also assumes an additional \$1.4 billion in savings over ten years by extending FCC's authority to auction spectrum indefinitely. Additionally, the budget assumes \$200 million in savings over ten years from restoring FCC's authority to auction domestic satellite service spectrum licenses.

Terrorism Risk Insurance. The budget proposes to modify the Terrorism Risk Insurance Program.

Budget Process Proposals

Statutory Paygo. The President proposes to work with Congress to enact a statutory pay-as-you-go requirement.

Earmark Reform. The President proposes to continue to work with Congress to ensure greater transparency and accountability of earmarks.

Program Integrity Initiatives. The President proposes a significant increase in funding for initiatives that ensure federal money is spent efficiently and effectively in large mandatory programs. Program Integrity Initiatives at the Social Security Administration, the Department of Health and Human Services, the Department of Labor, the Internal Revenue Service, and a new Federal-State partnership for means-tested programs would reduce erroneous and improper payments and fight tax and health care fraud.

It is likely that more budget process reforms will be included in the detailed budget submission expected in April.

Note: All years are fiscal years unless otherwise noted. All estimates are based on Office of Management and Budget figures provided with the President's FY 2010 budget blueprint.

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