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FISCAL YEAR 2012

BUDGET

OF THE U.S. GOVERNMENT

OFFICE OF MANAGEMENT AND BUDGET

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THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2012 contains the Budget Message of the President, information on the President's priorities, budget overviews organized by agency, and summary tables.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2012 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective. This volume includes economic and accounting analyses; information on Federal receipts and collections; analyses of Federal spending; information on Federal borrowing and debt; baseline or current services estimates; and other technical presentations.

The *Analytical Perspectives* volume also contains supplemental material with several detailed tables, including tables showing the budget by agency and account and by function, subfunction, and program, that is available on the Internet and as a CD-ROM in the printed document.

Historical Tables, Budget of the United States Government, Fiscal Year 2012 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment over an extended time period, generally from 1940 or earlier to 2012 or 2016.

To the extent feasible, the data have been adjusted to provide consistency with the 2012 Budget and to provide comparability over time.

Appendix, Budget of the United States Government, Fiscal Year 2012 contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committees. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language; budget schedules for each account; legislative proposals; explanations of the work to be performed and the funds needed; and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose transactions are not part of the budget totals.

AUTOMATED SOURCES OF BUDGET INFORMATION

The information contained in these documents is available in electronic format from the following sources:

Internet. All budget documents, including documents that are released at a future date, spreadsheets of many of the budget tables, and a public use budget database are available for downloading in several formats from the Internet at *www.budget.gov/budget*. Links to documents and materials from budgets of prior years are also provided.

Budget CD-ROM. The CD-ROM contains all of the budget documents in fully indexed PDF format along with the software required for viewing the documents. The CD-ROM has many of the budget tables in spreadsheet format and also contains the materials that are included on the separate *Analytical Perspectives* CD-ROM.

For more information on access to electronic versions of the budget documents (except CD-ROMs), call (202) 512-1530 in the D.C. area or toll-free (888) 293-6498. To purchase the budget CD-ROM or printed documents call (202) 512-1800.

GENERAL NOTES

1. All years referenced for budget data are fiscal years unless otherwise noted. All years referenced for economic data are calendar years unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.
3. At the time of this writing, none of the full-year appropriations bills for 2011 was enacted; therefore, the programs and activities normally provided for in the full-year appropriations bills were operating under a continuing resolution (P.L. 111–242, as amended). For those programs and activities, data for the current year column (2011) in the budget *Appendix*, and in tables that show details on discretionary spending amounts in the *Analytical Perspectives* volume, reflect the annualized level provided by the continuing resolution. In the main *Budget* volume, the *Historical Tables* volume, and in tables that include total discretionary spending in the *Analytical Perspectives* volume, current year totals by agency and for the total Government will match the President's 2011 Budget request.

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THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

America is emerging from the worst recession in generations. In 2010, an economy that had been shrinking began to grow again. After nearly 2 years of job losses, America's businesses added more than one million jobs. Our capital and credit markets are functioning and strong. Manufacturing is coming back. And after teetering on the brink of liquidation just 2 years ago, America's auto industry is posting healthy gains and returning money to the taxpayers who helped it through a period of turmoil. The determination and resilience of the American people and the tough choices we made over the past 2 years helped to pull our economy back from the brink of a second Great Depression.

Two years after those dark days, the stock market is booming. Corporations are posting record profits. Momentum is building. Yet, in America, we have always had a broader measure of economic health. We believe in a country where everyone who is willing to work for it has the opportunity to get ahead; where the small businessperson with a dream or entrepreneur with a great new idea has their best chance to make them a reality; where any child can go as far as their talent and tenacity will take them. That is the genius of America. That spirit is what has built the greatest prosperity the world has ever known.

So even as recovery begins to take hold, we have more work to do to live up to our promise by repairing the damage this brutal recession has inflicted on our people, generating millions of new jobs, and seizing the economic opportunities of this competitive, new century.

These must be the priorities as we put together our Budget for the coming year. The fiscal realities we face require hard choices. A decade of deficits, compounded by the effects of the recession and the steps we had to take to break it, as well as the chronic failure to confront difficult decisions, has put us on an unsustainable course. That's why my Budget lays out a path for how we can pay down these debts and free the American economy from their burden.

But in an increasingly competitive world in which jobs and businesses are mobile, we also have a responsibility to invest in those things that are absolutely critical to preparing our people and our Nation for the economic competition of our time.

We do this by investing in and reforming education and job training so that all Americans have the skills necessary to compete in the global economy. We do this by encouraging American innovation and investing in research and development—especially in the job-creating industries of tomorrow such as clean energy. We do this by rebuilding America's infrastructure so that U.S. companies can ship their products and ideas from every corner in America to anywhere in the world. And finally, we do this by coming together as Americans, not Democrats or Republicans, to make the tough choices that get America's fiscal house in order, investing in what works, cutting what doesn't, and changing the way business is done in Washington.

Growing the economy and spurring job creation by America's businesses, large and small, is my top priority. That's why, over the course of the last year, I pushed for additional measures to jump-start our economic recovery: tax credits for businesses that hire unemployed workers; assistance to States to prevent the layoffs of teachers; and tax cuts and expanded access to credit for small businesses. At the end of the year, I signed into law a measure that provided tax cuts for 159 million workers saving the typical worker $1,000 per year. And the same law extended important tax credits to help families make ends meet and afford to send their kids to college. This bipartisan tax cut plan also gave businesses two powerful incentives to invest and create jobs: 100 percent expensing on the purchase of equipment and an extension of the research and experimentation tax credit.

Moreover, my Administration has moved aggressively to open markets abroad and boost exports of American made goods and services, signing a new trade agreement with South Korea, the twelfth-largest economy in the world. And last month, I laid out a balanced approach to regulation that is pragmatic, driven by data, and that will protect the health and well-being of the American people and help lay the groundwork for economic growth and job creation.

These steps will help the economy this year. But it is also essential that we take stock and look to the future—to what kind of America we want to see emerge from this crisis and take shape for the generations of Americans to come. This Budget lays out our roadmap not just for how we should invest in our economy next year, but how we should start preparing our Nation to grow, create good jobs, and compete in the world economy in the years ahead.

At its heart is a recognition that we live in a world fundamentally different than the one of previous generations. Revolutions in communication and technology have made businesses mobile and commerce global. Today, a company can set up shop, hire workers, and sell their products wherever there is an Internet connection. It is a transformation that has touched off a fierce competition among nations for the jobs and industries of the future.

The winners of this competition will be the countries that have the most skilled and educated workers; a serious commitment to research and technology; and access to quality infrastructure like roads and airports, high-speed rail, and high-speed Internet. These are the seeds of economic growth in the 21st century. Where they are planted, the most jobs and businesses will take root.

In the last century, America's economic leadership in the world went unchallenged. Now, it is up to us to make sure that we maintain that leadership in this century. At this moment, the most important contest we face as a Nation is not between Democrats and Republicans or liberals and conservatives. It's between America and our economic competitors around the world.

There is no doubt in my mind that we can win this competition. The United States is home to the world's best universities and research facilities, the most brilliant scientists, the brightest minds, and some of the hardest-working, most entrepreneurial people on Earth. But our leadership is not guaranteed unless we redouble our efforts in the race for the future.

In a generation, we've fallen from first place to ninth place in the proportion of our young people with college degrees. We lag behind other nations in the quality of our math and science education. The roads and bridges that connect the corners of our country and made our economy grow by leaps and bounds after World War II are aging and in need of repair. Our rail and air traffic systems are in need of modernization, and our mobile networks and high-speed Internet access have not kept pace with some of our rivals, putting America's businesses and our people at a competitive disadvantage.

In 1957, when the Soviet Union beat us into space by launching a satellite called Sputnik, it was a wake-up call that caused the United States to boost our investment in innovation and education—particularly in math and science. As a result, we not only surpassed the Soviets, we developed new American technologies, industries, and jobs. Fifty years later, our generation's Sputnik moment has arrived. Our challenge is not building a new satellite, but to rebuild our economy. If the recession has taught us anything, it is that we cannot go back to an economy driven by too much spending, too much borrowing, and the paper profits of financial speculation. We must rebuild on a new, stronger foundation for economic growth. We need to do what America has always been known for: building, innovating, and educating. We don't want to be a nation that simply buys and consumes products from other countries. We want to create and sell products all over the world that are stamped with three simple words: "Made in America."

My Budget makes investments that can help America win this competition and transform our economy, and it does so fully aware of the very difficult fiscal situation we face. When I took the oath of office 2 years ago, my Administration was left an annual deficit of $1.3 trillion, or 9.2 percent of GDP, and a projected 10-year deficit of more than $8 trillion. These deficits were the result of a previous 8 years of not paying for programs—notably, two large tax cuts and a new Medicare prescription drug benefit—as well as the financial crisis and recession that exacerbated our fiscal situation as revenue decreased and automatic Government outlays increased to counter the recession and cushion its impact.

We took many steps to re-establish fiscal responsibility, from instituting a statutory pay-as-you-go rule for spending to going line by line through the budget looking for outdated, ineffective, or duplicative programs to cut or reform. And, most importantly, we enacted the Affordable Care Act. Along with giving Americans more affordable choices and freedom from insurance company abuses, reform of our health care system will, according to the latest analysis by the non-partisan Congressional Budget Office, reduce our budget deficits by more than $200 billion in its first decade and more than $1 trillion over the second.

Now that the threat of a depression has passed, and economic growth is beginning to take hold, taking further steps toward reducing our long-term deficit has to be a priority, and it is in this Budget. The reason is simple: in the long run, we will not be able to compete with countries like China if we keep borrowing more and more from countries like China. That's why in this Budget, I put forward a number of steps to put us on a fiscally sustainable path.

First, I am proposing a 5-year freeze on all discretionary spending outside of security. This is not an across-the-board cut, but rather an overall freeze with investments in areas critical for long-term economic growth and job creation. A commonsense approach where we cut what doesn't work and invest in those things that make America stronger and our people more prosperous. Over a decade, this freeze will save more than $400 billion, cut non-security funding to the lowest share of the economy since at least 1962, and put the discretionary budget on a sustainable trajectory.

Making these spending cuts will require tough choices and sacrifices. One of them is the 2-year freeze on Federal civilian worker salaries. This is in no way a reflection on the dedicated service of Federal workers, but rather a necessary belt-tightening measure during these difficult times when so many private sector workers are facing similar cuts. This Budget also includes many terminations and reductions to programs across the entire Federal Government. These cuts include many programs whose mission I care deeply about, but meeting our fiscal targets while investing in our future demands no less. All told, we have put forward more than 200 terminations and reductions for over $30 billion in savings.

Even in areas outside the freeze, we are looking for ways to save money and cut unnecessary costs. At the Department of Defense, for instance, we are reducing its funding by $78 billion over the next 5 years on a course for zero real growth in funding. To do this, Secretary Gates is pursuing a package of terminations, consolidations, and efficiencies that include, for example, the elimination of the Marine Corps Expeditionary Fighting Vehicle; the consolidation of four Air Force air operations centers into two; and reducing the number of Generals and Admirals by more than 100. And throughout the entire Government, we are continuing our efforts to make Government programs and services work better and cost less: using competition and high standards to get the most from the grants we award, getting rid of excess Federal real estate, and saving billions of dollars by cutting overhead and administrative costs.

Second, I continue to oppose the permanent extension of the 2001 and 2003 tax cuts for families making more than $250,000 a year and a more generous estate tax benefiting only the very largest estates. While I had to accept these measures for 2 more years as a part of a compromise that prevented a large tax increase on middle-class families and secured crucial job-creating support for our economy, these policies were unfair and unaffordable when enacted and remain so today. I will push for their expiration in 2012. Moreover, for too long we have tolerated a tax system that's a complex, inefficient, and loophole-riddled mess. For instance, year after year we go deeper into deficit and debt to pay to prevent the Alternative Minimum Tax (AMT) from hurting many middle-class families. As a start, my Budget proposes a 3-year fix to the AMT that is paid for by an across-the-board 30 percent reduction in itemized deductions for high-income taxpayers. My Administration will work with the Congress on a long-term offset for these costs.

Third, to address looming, long-term challenges to our fiscal health, the Budget addresses future liabilities in the unemployment insurance system; the Pension Benefit Guaranty Corporation, which protects the pensions of workers whose companies have failed; and the Federal Housing Administration, which plays a critical role in affordable housing. It also is committed to implementing the Affordable Care Act swiftly and efficiently since rising health care costs are the single biggest driver of our long-term fiscal problems. Finally, as a down payment toward a permanent fix, the Budget proposes additional reforms to our health care system that would be sufficient to pay for 2 years of fixing the Medicare's sustainable growth rate, thus preventing a large cut in Medicare reimbursements for doctors that would jeopardize care for older Americans.

In addition, I believe that we need to act now to secure and strengthen Social Security for future generations. Social Security is a solemn commitment to America's seniors that we must preserve. That is why I have laid out my principles for reform and look forward to working with the Congress on ensuring Social Security's compact for future generations.

As we move to rein in our deficits, we must do so in a way that does not cut back on those investments that have the biggest impact on our economic growth because the best antidote to a growing deficit is a growing economy. So even as we pursue cuts and savings in the months ahead, we must fund those investments that will help America win the race for the jobs and industries of the future—investments in education, innovation, and infrastructure.

In an era where most new jobs will require some kind of higher education, we have to keep investing in the skills of our workers and the education of our children. And that's why we are on our way to meeting the goal I set when I took office: by 2020, America will once again have the highest proportion of college graduates in the world.

To get there, we are making college more affordable for millions of students, through the extension of the American Opportunity Tax Cut and maintaining our historic expansion of the Pell Grant program while putting it on firm financial footing. We are taking large steps toward my goal of preparing 100,000 science, technology, engineering, and mathematics teachers over the next decade. And we are continuing our reform of elementary and secondary education—not from the top-down, but from the bottom-up. Instead of indiscriminately pouring money into a system that doesn't always work, we are challenging schools and States to compete in a "Race to the Top" to see who can come up with reforms that raise standards, recruit and retain good teachers, and raise student achievement, especially in math and science. We are expanding the "Race to the Top" to school districts, and since in today's economy learning must last a lifetime, we are extending this competitive framework to early childhood education, universities and colleges, and job training.

Once our students graduate with the skills they need for the jobs of the future, we also need to make sure those jobs end up in America. In today's high-tech, global economy, that means the United States must be the best place to do business and the best place to innovate. That will take reforming our tax code, and I am calling for immediate action to rid the corporate tax code of special interest loopholes and to lower the corporate rate to restore competitiveness and encourage job creation—while not adding a dime to the deficit.

And since many companies do not invest in basic research that does not have an immediate pay off, we—as a Nation—must devote our resources to these fundamental areas of scientific inquiry. In this Budget, we are increasing our investment in research and development that contributes to fields as varied as biomedicine, cyber-security, nano-technology, and advanced manufacturing. We are eliminating subsidies to fossil fuels and instead making a significant investment in clean energy technology—boosting our investment in this high-growth field by a third—because the country that leads in clean energy will lead in the global economy. Through a range of programs and tax incentives, this Budget supports my goals of the United States becoming the first country to have one million electric vehicles on the road by 2015 and for us to reach a point by 2035 where 80 percent of our electricity will come from clean energy sources. We also are working toward a 20 percent decrease in energy usage in commercial and institutional buildings by 2020, complementing our ongoing efforts to improving the efficiency of the residential sector. If this is truly our Sputnik moment, we need a commitment to innovation that we have not seen since President Kennedy challenged us to go to the moon.

To flourish in the global economy, we need a world-class infrastructure—the roads, rails, runways, and information superhighways that are fundamental to commerce. Over the last 2 years, our investments in infrastructure projects already have led to hundreds of thousands of good private sector jobs and begun upgrading our infrastructure across the country. But we still have a long way to go.

In this Budget, I am proposing a historic investment in repairing, rebuilding, and modernizing our transportation infrastructure. The Budget features an immediate, up-front investment of $50 billion to both generate jobs now and lay a foundation for future economic growth. Looking toward the future, the Budget provides funds to develop and dramatically expand access to high-speed rail as well as the creation of a National Infrastructure Bank to support projects critical to our national competitiveness. While this transportation bill is a major investment of funds, it is also a major reform of how transportation funds have been invested in the past. We are committing to paying for our surface transportation plan and making it subject to the Congress' pay-as-you-go law; to consolidating duplicative, earmarked programs; and to making tens of billions of dollars of funds subject to a competitive “Race to the Top” process.

And looking to what we will need to thrive in the 21^{st} century, I am proposing an ambitious effort to speed the development of a cutting-edge, high-speed wireless data network that will reach across our country to 98 percent of Americans and provide for the needs of both our citizens and our first responders. We are the Nation that built the transcontinental railroad and the first airplanes to take flight. We constructed a massive interstate highway system and introduced the Internet to the world. America has always been built to compete, and if we want to attract the best jobs and businesses to our shores, we have to be that Nation again.

Finally, to make it easier for our businesses and workers to sell their products all over the globe, we are working toward our goal of doubling U.S. exports by 2014. This will take specific efforts to open up markets and promote American goods and services. It also will take maintaining American leadership abroad and ensuring our security at home. This Budget invests in all elements of our national power—including our military—to achieve our goals of winding down the war in Iraq; defeating al Qaeda in Afghanistan and around the world; reducing the threat of nuclear weapons; and preparing our Nation for emerging threats. We also invest resources to provide for our men and women in uniform and to honor the service of our veterans. And we do this all with an eye to cutting waste, finding efficiencies, and focusing resources on what is essential to our security.

Throughout our history, the investments this Budget makes—in education, innovation, and infrastructure—have commanded support from both Democrats and Republicans. It was Abraham Lincoln who launched the transcontinental railroad and opened the National Academy of Sciences; Dwight Eisenhower who helped build our highways; and Republican Members of Congress who worked with Franklin Roosevelt to pass the GI Bill. In our own time, leaders from both sides of the aisle have come together to invest in our infrastructure, create incentives for research and development, and support education reform such as those my Administration has been pursuing. Moreover, when faced with tough, fiscal challenges, our country’s leaders have come together to find a way forward to save Social Security in the 1980s and balance the budget in the 1990s.

There are no inherent ideological differences that should prevent Democrats and Republicans from making our economy more competitive with the rest of the world. We are all Americans, and we are all in this race together. So those of us who work in Washington have a choice to make in this coming year: we can focus on what is necessary for each party to win the news cycle or the next election, or we can focus on what is necessary for America to win the future.

I believe we must do what this moment demands, and do what we must to spur job creation and make the United States competitive in the world economy. For as difficult as the times may be, the good news is that we know what the future could look like for the United States. We can see it in the classrooms that are experimenting with groundbreaking reforms and giving children new math and science skills at an early age. We can see it in the wind farms and advanced battery factories that are opening across America. We can see it in the laboratories and research facilities all over this country that are churning out discoveries and turning them into new startups and new jobs.

And when you meet these children and their teachers, these scientists and technicians, and these entrepreneurs and their employees, you come away knowing that despite all we have been through these past 2 years, we will succeed. The idea of America is alive and well. As long as there are people willing to dream, willing to work hard, and willing to look past the disagreements of the moment to focus on the future we share, I have no doubt that this will be remembered as another American century.

BARACK OBAMA

THE WHITE HOUSE,
FEBRUARY 14, 2011.

MOVING FROM RESCUE TO REBUILDING

After two of the most difficult years in generations for our Nation's economy, we are at the end of the first phase of the journey, back from the devastating recession. We no longer face the collapse of our financial system or the start of a second Great Depression. Swift and decisive action has turned the tide, and the Nation's economy is recovering. From the American Recovery and Reinvestment Act (the Recovery Act) that boosted macroeconomic demand, jump-started economic activity, and broke a vicious recessionary cycle to the Administration's Financial Stability Plan that helped to restore confidence in our financial institutions and markets and saved the American automobile industry, the President made choices that were unprecedented and, in many quarters, politically unpopular. It is now clear that these policies worked and played a central role in putting the economy on the road to recovery.

That does not mean that the effects of the recession are behind us. Too many Americans are out of work; too many industries and businesses are still recovering from the shocks of the recession; and too many cities and towns are struggling to make ends meet and provide necessary services to their residents. The recovery is still vulnerable to setbacks, and there is evidence that the longer the recession's effects are allowed to linger the more damage it does to individuals and communities. For instance, many studies show that a parents' unemployment is closely tied to their children's educational and professional achievement. Similarly, those entering the workforce during a weak economy experience depressed wages not only in the initial years of their career, but also for years to come. Other research has demonstrated that unemployment has a lasting negative effect on community and civic engagement. If we fail to invest in the capabilities of our workforce, in the infrastructure of our Nation, and in our capacity to nurture and grow new ideas and inventions, we seriously damage the prospects for robust long-term economic growth.

Looking ahead to the promise of the century before us, we must seize this opportunity to transform our economy from one too vulnerable to boom and bust and driven by easy credit and reckless actions to one that is rooted in what Americans do best: innovating, creating, building, and selling these goods and services the world over. To do that, we need to invest in the education, innovation, and infrastructure that the American economy will need to compete in the global economy for years to come. We also need to lay a sound fiscal foundation for our Nation, since we will not be able to grow and spur job creation if we are weighed down by deficits and debt. That will take tough choices, which this Budget reflects—making cuts where necessary and investing in what will make the United States more competitive in the world economy. The Administration is proposing a program that will strengthen the recovery and spur job creation in the months ahead, since we cannot risk losing all the progress we have made in rescuing our economy with a focus on policies that will lead to a sound future and sustained economic growth.

Bringing the Economy Back from the Brink

When the President took office the economy was in freefall. Real gross domestic product (GDP) was dropping at an annual rate of 4.9 percent after falling at an annual rate of 6.8 percent the previous quarter. A steep decline in the stock market combined with falling home prices led to a significant loss of household wealth. Between the third quarter of 2007 and the first quarter of 2009, the real net worth of American households declined by 28 percent—the equivalent of one year's GDP. Americans reacted to this massive loss of wealth by saving more instead of spending. The personal savings rate spiked at 7.2 percent in the second quarter of 2009, after averaging only 2 percent through the end of 2007. This had the effect of reducing consumer demand, a key driver of economic growth. That trajectory has now changed: over the past six quarters, through the fourth quarter of 2010, real GDP has grown at an average rate of 3.0 percent.

In the last year, real wealth has risen as house prices nationally have shown signs of stabilizing and the stock market has partially recovered. And, as of the end of 2010, the American economy had created private sector jobs for 12 months in a row; in fact, in 2010, the private sector gained 1.3 million jobs. To be sure, the economy is not adding jobs fast enough to reduce the unacceptably high unemployment rate. The increase in the savings rate and accompanying decrease in consumer demand has led to a dampening of firms' sales expectations and constrained business investment. And families continue to struggle in the aftermath of the recession. However, we have averted what could easily have become a second Great Depression—in no small part due to the Administration's forceful policy response—and the Administration continues to work to strengthen the recovery and spur more job creation.

The Recovery Act

The Administration took decisive action to bolster macroeconomic demand and jumpstart economic activity, thus putting the brakes on a recession that was spiraling out of control. The President moved rapidly, working with the Congress, and just 28 days after taking office, signed into law the Recovery Act to create and save jobs, as well as transform the economy to compete in the 21st Century. Approximately one-third, or $288 billion, of the Act's funds went to tax cuts for small businesses and 95 percent of working families. Another third, or $234 billion, was used for emergency relief for those who bore the brunt of the recession. For example, more than 17 million Americans benefited from extended or increased unemployment benefits, and health insurance was made 65 percent less expensive for laid-off workers and their families who relied on COBRA. The final third was invested in projects to create jobs, spur economic activity, and lay the foundation for future sustained growth. In addition, aid to State and local governments helped to close budget shortfalls, supporting the jobs of more than 650,000 teachers, firefighters, and police officers. By the end of 2010, almost 95 percent of Recovery Act spending was obligated and 88 percent of the tax relief was being provided directly to Americans, meeting the Administration's goal of disbursing 70 percent of the Act's funds by the end of that year. Twenty-two months after enactment, it is clear that by moving swiftly and in a significant way, the Recovery Act had a stimulative effect on the economy.

Following implementation of the Recovery Act, the trajectory of the economy changed dramatically. The White House Council of Economic Advisers (CEA) estimates that the Recovery Act raised the level of GDP as of the third quarter of 2010, relative to what it would have been absent intervention, by 2.7 percentage points. These estimates are very similar to those of a wide range of outside analysts, including the Congressional Budget Office (CBO). CEA also estimates that the Recovery Act raised employment relative to what it otherwise would have been by between 2.7 and 3.7 million jobs in the same time frame.

The President also took additional steps to augment the stimulative effect of the Recovery Act. In March 2010, for instance, he signed into law the Hiring Incentives to Restore Employment (HIRE) Act that provided subsidies for firms that hired workers who were unemployed for at least two months; helped businesses invest in their future by permitting them to write off investments in equipment; encouraged job creation by expanding investments in schools and clean energy projects; and maintained investments in roads and bridges. In August, the President signed into law $10 billion in additional aid to States to prevent the dismissal of 160,000 of teachers, police officers, and firefighters nationwide. In September, the President signed the Small Business Jobs Act, which provided small businesses with tax relief and better access to credit. Specifically, the Act boosted Small Business Administration loan sizes and guarantees, created a new Small Business Lending Fund of up to $30 billion to support community and smaller banks that lend to small businesses, and started a State Small Business Credit Initiative to spur $15 billion in lending through grants to innovative State and local programs. In addition, the Act contained eight small business tax cuts, including the elimination of capital gains taxes on key small business investments and tax incentives to encourage businesses, large and small, to invest in new plants and equipment. Finally, at the end of 2010, the President signed into law a bipartisan agreement on taxes that prevented a tax increase for middle-class families, extended unemployment insurance benefits for millions of Americans hardest hit by the recession, provided powerful incentives for business investment and job creation, and temporarily reduced the payroll tax which also would help spur macroeconomic demand.

Reviving the Financial System and Critical Sectors of the Economy

In addition to rejuvenating demand, the Administration also had to take extraordinary steps to help revive the credit and capital markets and restore trust in the financial system. As the President took office, the future of major financial institutions was in doubt and vital aspects of the financial system were deeply impaired—preventing the flow of credit that small firms need to grow and families need to purchase a home or car, send a child to college, or start a business.

The Administration moved quickly with a comprehensive, forceful, and sustained effort to stabilize the financial system, assist in the clean-up of legacy assets, jumpstart the provision of new credit to households and businesses, and support distressed housing markets. Accordingly, the Administration's efforts—especially the Supervisory Capital Assessment Program or "stress tests" conducted of 19 major financial institutions—helped to shore up confidence in our financial institutions and markets. The tests provided a more transparent look into banks' financial positions, reassuring investors. Subsequently, the banks have been able to raise in excess of $150 billion in high-quality, private capital, providing further evidence that the credit crisis has abated. As these actions were taken, the LIBOR spread narrowed sharply, and other measures of credit risk also declined. During 2009, the spreads between Treasury yields and other interest rates generally regained pre-crisis levels, and they held these levels through 2010.

Troubled Asset Relief Program

A central part of the response to the financial crisis was the implementation of the Troubled Asset Relief Program (TARP), which was established in the fall of 2008 under the Emergency Economic Stabilization Act of 2008. Since the Administration took office, the projected cost of TARP has decreased dramatically and programs are being successfully wound down. On October 3, 2010, authority to make new investments under TARP expired. Today, the Federal Government maintains TARP programs only where it has existing contracts and commitments, including programs for struggling homeowners and small businesses.

In terms of direct financial cost, TARP is now projected to be a fraction of its original projected cost. When it started, independent observers, such as CBO, estimated that TARP would cost $350 billion or more. Because of the success of the program, the Administration now estimates the cost of the program to be only $48 billion, and CBO estimates the figure to be even lower. As of October 3, 2010, the Treasury had received $234 billion in TARP repayments, and taxpayers earned $35 billion in interest, fees, and warrants. Ultimately, the costliest component of TARP for taxpayers will be the mortgage assistance programs put into place to mitigate the foreclosure crisis across the Nation, while the other TARP components will likely earn a positive return for taxpayers. As a result, the cost of the Government's broader response efforts is remarkably low when compared to past systemic crises. For instance, an International Monetary Fund study found that the average net fiscal cost of resolving roughly 40 banking crises since 1970 was 13 percent of GDP, and the Government Accountability Office estimates that the cost of the early 1990s U.S. Savings and Loan Crisis was 2.4 percent of GDP. In contrast, the direct fiscal cost of all our interventions—including the actions of the Federal Reserve, the Federal Deposit Insurance Corporation, and our efforts to support the Government Sponsored Enterprises—is likely to be less than 1 percent of GDP net of recoveries.

The Automobile Industry

As a result of the President's aggressive and effective intervention, we are seeing a notable turnaround in the automobile industry at a lower cost than originally thought. The freezing of the credit markets in the fall of 2008 made it difficult for households to finance the purchase of motor vehicles. That, in addition to the broader economic downturn and major structural problems in some American auto companies, put General Motors (GM) and Chrysler at the brink of liquidation, which would have inflicted immediate and lasting damage to the country's manufacturing and industrial base. It also would have produced a significant rise in both regional and national unemployment, and would have further damaged the financial system since automobile financing is a significant portion of overall financial activity. Moreover, if these companies went out of business, the economy would have been forced deeper into recession and might have fallen into a depression. The President made the difficult decision to extend assistance to GM and Chrysler in exchange for significant restructurings and billions of dollars of equity in the companies.

The success of this policy has been dramatic. Both companies restructured and emerged from bankruptcy, and since then, the industry has created more than 88,500 new jobs, and American automakers are in the midst of their strongest period of job growth in more than a decade. For the first time in six years, Ford, GM, and Chrysler are all operating at a profit. American workers are back at the assembly line manufacturing the high-quality, fuel-efficient, American-made cars of tomorrow, capable of competing with manufacturers from around the world. For taxpayers this means that the assistance extended to these companies is paying off. In December 2010, GM completed the repurchase of all GM preferred stock issued under TARP, repaying taxpayers $2.1 billion. Coming on the heels of a successful initial public offering that netted $13.5 billion for taxpayers, this preferred share repurchase brings the total amount of funds that taxpayers have received in return for their $49.5 billion investment in GM to more than $23 billion so far. The Administration is on track to recoup much more on our investments in these companies than we initially estimated.

The Housing Market

Finally, the Administration took steps to stabilize the housing market and help thousands of responsible homeowners who are facing foreclosure or are at risk of losing their homes. This began with the Homeowner Affordability and Stability Plan, a broad set of programs designed to stabilize the housing market and keep millions of Americans in their homes. The initiative included Treasury's mortgage-backed securities purchase program, which along with mortgage-backed securities purchases by the Federal Reserve, has helped to keep mortgage interest rates at historic lows and allowed over seven million homeowners to refinance since April 2009; the homebuyer tax credit, which helped millions of Americans to purchase homes, bolstering macroeconomic demand; and the Home Affordable Modification Program (HAMP) which provides eligible homeowners the opportunity to significantly reduce their monthly mortgage payments, remain in their homes, and avoid foreclosures.

Although HAMP has been held back by implementation challenges and poor performance on the part of mortgage servicers, it has provided 1.4 million homeowners a trial mortgage modification and more than half a million homeowners a permanent modification that has allowed them to stay in their homes. In total, since the Administration's housing programs took effect in 2009, public and private mortgage modification offers have been more than twice the number of foreclosure sales. The Administration has worked to refine and adapt the program as necessary—including increased servicer oversight and publicly reporting servicer-specific performance, which has improved rates of borrower participation. Along with improvements to HAMP, the Administration is implementing a range of additional programs to help homeowners. These include: the Federal Housing Administration's (FHA) loss mitigation program to minimize foreclosures, which has helped more than half a million homeowners since the start of the mortgage crisis; an initiative to move underwater borrowers into FHA guaranteed loans when lenders write off principal at least 10 percent; Treasury's second lien program, which provides a simultaneous modification of the second lien when a first lien is modified; a foreclosure alternatives program for borrowers who do not qualify for a modification; and a forbearance program for unemployed borrowers. Treasury has also allocated $7.6 billion to housing finance agencies in 18 States and the District of Columbia to devise innovative local solutions for borrowers facing unemployment and negative equity in their homes.

Furthermore, the Administration has outlined a framework and set of options to guide the debate about our Nation's future housing finance system. The guidelines emphasize private sector capital and innovation; stress affordable, responsible, and secure homeownership opportunities for Americans of all backgrounds; and discourage unhealthy risk-taking by lenders and borrowers, murky and inconsistent regulatory standards, or the expectation of a taxpayer bailout.

Supporting and Protecting Middle-Class Families

The promise of America is that with hard work, Americans can provide a solid, middle-class life for their family: find a good job, afford a home, send their children to world-class schools, receive high-quality and affordable health care, and enjoy a secure retirement in their later years. Americans' drive and ingenuity lie at the heart of this promise and a growing economy makes it possible to realize these aspirations. Also critical are rules of the road laid down to make our markets and free society work and the basic protections offered to Americans that enable them to thrive, ensuring clean air and water, fairness in the workplace, products that are safe and are represented honestly, and Social Security and Medicare to provide for citizens in life's later years. To this list of protections, the Administration has added two more: protecting patients from the worst practices of insurance companies, and consumers from poorly-constructed, opaque, and risky financial products.

Health Insurance Reform

The President signed into law the Affordable Care Act (ACA) on March 23, 2010, enacting comprehensive health insurance reforms that will hold insurance companies more accountable, lower health care costs, guarantee more health care choices, and enhance the quality of health care for all Americans. The ACA empowers Americans who are insured with information about the cost and quality of care and gives them the stability and security they need by ending many discriminatory and abusive insurance industry practices; expands coverage to more than 30 million

Americans who lack insurance; cuts waste and reforms health care so that higher-quality care is delivered; and does it all without adding a dime to the deficit. In fact, according to CBO's latest analysis, the ACA will cut more than $200 billion from the deficit over the next 10 years and more than $1 trillion over the second 10 years. Considering that rising health care costs are driving up our national debt and thus are a drag on future economic growth and the Nation's overall competitiveness, the ACA puts in place much-needed deficit reduction.

Americans already are enjoying many of the protections put in place by the ACA. For instance, in the past, if a person became ill, insurance companies could deny payments for health services by retroactively finding an error or other technical mistake on their previously accepted application; this is now illegal. Insurance companies are now prohibited from imposing lifetime dollar limits on essential benefits, such as hospital stays. And because of the ACA, insurance companies can no longer deny coverage to children under the age of 19 due to a pre-existing condition. Finally, if a consumer does have a problem with an insurance company's coverage decisions, the ACA ensures consumers have a way to appeal coverage determinations or claims to their insurance company, and establishes an external review process.

Beyond curbing the most egregious practices of the insurance industry, Americans have realized other benefits. Since ACA's passage, as many as 4 million small businesses could be eligible for tax credits to help them provide insurance benefits to their workers. The first phase of this provision provides a credit worth up to 35 percent of most employers' contributions to employees' health insurance. This provision also provides up to a 25 percent credit to small nonprofit organizations. For 2010, an estimated 4 million seniors who reached the gap in Medicare prescription drug coverage known as the "doughnut hole" qualified to receive a $250 rebate. For those individuals who have been uninsured for at least six months because of a pre-existing condition, there is now a Pre-Existing Condition Insurance Plan to provide them with coverage options. This program serves as a bridge to 2014, when all discrimination against pre-existing conditions will be prohibited. And all new private-market health insurance plans now must cover critical preventive care services such as mammograms and colonoscopies without charging a deductible, co-pay, or coinsurance.

Just last month, two important additions to coverage from the ACA for seniors went into effect. First, seniors now will receive a 50 percent discount when buying Medicare Part D covered brand-name prescription drugs in the coverage gap, a step on the way to closing the coverage gap by the end of the decade. Second, under the ACA, Medicare beneficiaries are eligible for certain free preventive services, such as annual wellness visits and personalized prevention plans.

The Administration is committed to implementing the ACA swiftly, efficiently, and effectively, and will work with the Congress to ensure that the resources are available to do just that.

Wall Street Reform

Curbing the abuses in the health insurance industry and beginning to bring down rising health care costs were long overdue steps toward addressing critical problems. The financial and economic crisis of the past two years also made it clear that the rules governing our capital markets needed revision to provide a more stable foundation for the economy and to protect consumers from predatory practices. The recession was not just the result of a turn in the business cycle. Rather, the fundamental cause of the steepness of the decline was the meltdown in our credit and capital markets precipitated by a perfect storm of excessive risk-taking, inadequate disclosure, non-existent or myopic oversight, market gatekeepers compromised by conflicts of interest, and irresponsible lending to hundreds of thousands of Americans who were not given adequate or clear information to assess their level of risk.

Seeking to prevent this from happening again in the future, the Administration set out to craft a financial reform package that filled the gaps in oversight, transparency, and restraint; put a check on predatory and abusive lending; and restored a sense of accountability to the system—especially for those who had operated outside the regulatory framework. The Administration's goal was to establish a careful balance between incentives for innovation and global competition on the one hand, and protections from abuse, predation, and excessive risk-taking on the other.

On July 21, 2010, the President signed into law the historic Dodd-Frank Wall Street Reform and Consumer Protection Act. This law ended the unregulated, opaque, and unrestrained risk-taking that culminated in the economic crisis we are recovering from today. It empowers consumers and investors, brings the shadowy deals that caused the economic and financial crisis into the light of day, and puts a stop to taxpayer bailouts. Specifically, the law cracks down on abusive practices in the mortgage industry, making financial contracts simpler, and ending many of the hidden fees so that families know what they are signing when they buy a home. It ensures that students who take out college loans will be provided clear and concise information about their obligations. It reinforces the Credit Card Accountability, Responsibility, and Disclosure Act passed in 2009 that bans unfair rate hikes, and ensures that banks cannot charge unwitting consumers overdraft fees when they sign up for a checking account. And with this law, ordinary investors will be able to receive more information about the costs and risks of mutual funds and other investment products, so that they can make better financial decisions for their future.

Notably, the Dodd-Frank Act created the Consumer Financial Protection Bureau (CFPB), an agency exclusively devoted to protecting consumers, in part by giving them the tools to make their own choices and find the most suitable financial products, even when a provider may have incentives to hide true costs. The CFPB is empowered to set high and uniform standards across the market; focus on improving financial literacy for all Americans; and help to end profits based on misleading sales pitches and hidden traps, forcing banks and non-bank financial institutions to compete vigorously for consumers on the basis of price and quality. All told, this reform puts in place the strongest consumer financial protections in history.

The financial industry is central to our Nation's ability to grow, prosper, compete, and innovate. This reform is designed to make sure that every market actor follows the same rules and operates on the same level playing field. And, it demands accountability from them all, providing greater certainty in return. It provides consumers with the information they need to make good choices. In setting out to accomplish all of this, the Act will help foster innovation, not hamper it, and it will keep our capital markets the strongest and most competitive in the world.

Accelerating the Recovery and Jumpstarting Economic Growth

By almost any measure, the economy is stronger now than it was as the Administration took office two years ago. We are no longer at the brink of a second Great Depression. However, the country is still emerging from a historic recession that has inflicted great damage on our economy, our industries, and millions of families. Too many Americans are still out of work, and our economy is not yet operating at its full potential. According to many outside observers, there is no guarantee that an external shock will not knock the economy back into a recession. That is why, building on the progress we have made, the Administration is undertaking a series of steps to accelerate job creation and economic growth in the short term.

Provide Tax Relief and Incentives for Job Creation. As 2010 ended, middle-class families faced the prospects of taxes increasing on them just as they were beginning to get back on their feet, and unemployment benefits would have run out for those still looking for work. At the same time, businesses were not yet deploying their record-high cash reserves to expand operations and hire more workers. And with the economy still not generating enough growth, a potential tax increase at this time presented a real risk of a return to recession. To continue the progress we have made in stopping the recession and to create incentives for continued economic growth and job creation, the President brought together both sides in Washington to work out a compromise plan on a range of expiring tax provisions and other policies. After a hard-fought campaign season, many thought that a deal would be impossible. Yet, on December 17, the President signed into law the bipartisan Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. This bill, which garnered bipartisan support in both the House and the Senate, will:

- *Prevent a Middle-Class Tax Increase.* Failure to act on the expiring 2001 and 2003 tax cuts would have increased taxes for a typical working family by $2,000 at the start of 2011. By extending the middle-class tax rates for two years, families making less than $250,000 a year did not see their taxes go up and the economy, as a whole, will benefit from that and continue to grow.

- *Cut Payroll Taxes for 159 Million Workers.* The legislation includes an employee-side payroll tax cut for 159 million workers—providing tax relief of about $110 billion this next year. This tax cut will amount to about $1,000 for the typical family, boosting macroeconomic demand and giving steam to the economic recovery.

- *Provide Critical Tax Credits for Families.* The bill continues three tax credits that have helped families make ends meet and provide new opportunities for their children. Specifically, the legislation extends the child tax credit at $1,000 (it would have reverted to $500) and the expanded refundability established in the Recovery Act. The expanded refundability of this credit continues a tax cut that goes to 11.8 million working families with 21.3 million children. Also extended is the expanded Earned Income Tax Credit, which is worth up to $600 for families with three or more children, and reduces the "marriage penalty" faced by some working married families. Finally, to help students afford the cost of college, the new American Opportunity Tax Credit—a partially refundable tax credit worth up to $2,500 per student per year that helps more than 8 million students and their families afford the cost of college—would be continued under the agreement.

- *Extend Unemployment Benefits.* The legislation extends emergency unemployment benefits at their current level for 13 months, preventing an estimated 7 million workers from losing their benefits over the next year as they search for jobs.

- *Spur Business Investment with 100 Percent Expensing.* Many businesses now have large amounts of capital in reserve, but have yet to invest it. The agreement includes the President's proposal to temporarily allow businesses to expense 100 percent of certain investments in 2011, helping 2 million companies and potentially generating more than $50 billion in additional investment in 2011, which will fuel job creation. This would be the largest temporary investment incentive in American history.

- *Extend the Research and Experimentation Tax Credit.* The Research and Experimentation tax credit is usually subject to yearly renewal, thus creating uncertainty for businesses. This law will extend this important incentive for innovation and investment for two years, and this Budget proposes to make the credit permanent.

- *Continue Renewable Energy Grants.* The legislation extends the 1603 program, which provides payments in lieu of renewable energy tax credits, and is helping to support tens of thousands of jobs in renewable energy industries such as wind, solar, and geothermal.

Outside analysts have concluded that the legislation as a whole could generate 1.5 million or more jobs compared to what they had previously expected. All together, the legislation should have a significant and swift impact on our economic recovery.

Open Markets Abroad and Boost Exports. The emergence of a global marketplace that includes the growing economies of China, India, and other developing countries creates an opportunity for America to export our goods and services to new customers. With 95 percent of the world's customers as well as the globe's fastest-growing markets beyond our borders, we must compete aggressively to spur economic growth and job creation. The link between exports and jobs is clear: every $1 billion that we increase in exports supports more than 5,000 jobs. That is why the President launched his National Export Initiative (NEI) to marshal the full resources of the Federal Government behind America's businesses, large and small, to best help them sell their goods, services, and ideas to the rest of the world and to reach the President's goal of doubling U.S. exports in five years' time. Recently, the President has taken definitive steps with two of our allies that stand to boost exports and American commerce abroad in the short term:

- *U.S.-Korea Free Trade Agreement.* To continue progress toward the NEI's goal, the President reached a new trade agreement with South Korea, the world's twelfth-largest economy. This both opened up this important market, and also prevented any effort to close access to this market or other countries acquiring preferential treatment at our cost. The U.S. International Trade Commission has estimated that the tariff cuts alone in the U.S.-Korea trade agreement will increase exports of American goods to Korea by as much as $11 billion annually. The U.S.-Korea trade agreement also will open Korea's $560 billion services market to highly competitive American companies—supporting jobs for American workers in sectors ranging from delivery and telecommunications services to education and health care services. All told, this agreement will support more than 70,000 American jobs. Moreover, the agreement sets high standards for protection of workers' rights in trade agreements—including obligations for Korea to respect fundamental labor rights, not to weaken the laws that reflect those rights in any way, and to effectively enforce labor laws designed to ensure a level playing field on which American workers can compete.

- *Billions of Dollars in Trade Transactions Announced on Visit to India.* India is one of the most important and promising emerging markets in the world, and represents a tremendous opportunity for U.S. firms to expand their output of goods and services. On the margins of the President's trip to India in November, trade transactions were announced or showcased exceeding $14.9 billion in total value with $9.5 billion in U.S. export content and that would support an estimated 53,670 American jobs. These cross-border collaborations, both public and private, underpin the expanding U.S.-India strategic partnership, contributing to economic growth and development in both countries. Notable examples include: the sale of commercial and military aircraft, gas and steam turbines, and precision measurement instrumentation.

- *Agreements that Will Support 235,000 American Jobs Announced on Chinese State Visit to Washington.* The United States exports $100 billion of goods and services to China annually, making China our third-largest trading partner after Canada and Mexico. In conjunction with the Chinese President's state visit to Washington in January, President Obama announced deals worth over $45 billion in increased U.S. exports that will support an estimated 235,000 American jobs. These agreements, both public and private, involving large, medium-sized, and small enterprises, underpin the expanding U.S.-China commercial relationship, contributing to economic growth and development in both countries. A number of these transactions highlight the increased collaboration in such areas as clean energy and green technologies. Notable examples include: the sale of efficient gas turbine generator sets, hybrid buses, and denitrification engineering equipment and other potential environmental and boiler efficiency products.

Invest in Infrastructure. The Recovery Act included approximately $100 billion in investments to rebuild our Nation's existing infrastructure and invest in the infrastructure needed to compete in the 21st Century economy. It funded more than 12,000 transportation projects—ranging from highway construction to airport improvement projects—and invested nearly $7 billion in broadband expansion and $8 billion to lay the foundation for a high-speed rail network. These projects have created—and are continuing to create—thousands of new jobs. Yet there is still more that can be done, both to begin to give the United States an infrastructure to compete with the world's leading and growing economies and to give a boost to the economy. That is why the President has proposed, as part of his vision for reauthorizing a new surface transportation bill, an up-front investment of $50 billion that would help jump-start additional job creation, while also laying the foundation for future growth. This initial investment would fund improvements in the Nation's surface transportation, as well as our airports and air traffic control system. The President proposes to pair this with a historic, long-term plan to reform and expand our Nation's investment in transportation infrastructure—a plan that will increase growth and competitiveness going into the future. The President is also proposing major new investments in wireless broadband infrastructure that will benefit all Americans through increased public safety capabilities and expanded coverage, especially in under-served rural communities.

Pursue Commonsense Regulation. This Administration is firmly committed to a regulatory strategy that supports continued economic growth and job creation, while protecting the safety, health and rights of all Americans. Smart, cost-effective regulations, crafted with input from stakeholders inside and outside of Government, can save lives and prevent harm, without stifling growth and innovation. It is particularly critical now, as the economy continues to recover and create new jobs, that the Nation's regulatory strategy be as evidence-based, predictable and carefully targeted as possible to enable American businesses to continue to grow and innovate. This Administration weighs the costs and benefits of rules—not by reducing difficult questions to problems of arithmetic, but by taking into account quantitative and qualitative factors, including fairness, human dignity, and the interests of future generations. The Administration uses data to assess the impact of the regulatory implementation actions we are taking, and to devise better ways to manage the programs. Moreover, the Admnistration looks for areas where it can promote transparency and disclosure as a low-cost, high-impact regulatory tool. From automobile safety to energy efficiency and credit cards, this approach has been fruitful. In fact, in the Administration's first year, the net benefits of regulation are estimated to be $3.1 billion—as opposed to -$400 million for the Clinton Administration's first year, and -$300 million for the first year of the George W. Bush Administration. To keep the Nation competitive, it is critical not to relent in efforts to protect the public with cost-justified regulations while at the same time removing excessive regulatory burdens. That is why the President issued a new Executive Order calling for careful attention to the best available evidence, consideration of costs and benefits, more coordination among agencies, selection of flexible and least burdensome alternatives, and plans to repeal or modify rules that are no longer necessary.

PUTTING THE NATION ON A SUSTAINABLE FISCAL PATH

To compete in the global marketplace and have the long-term economic growth to support a growing middle class, we must take responsibility for our fiscal future. We need to invest in the engines of competitiveness and job creation: education, innovation, and infrastructure. But compete with the growing economies of the world, we also must free ourselves from the burden of historic deficits and growing debt. We need to change how Washington does business, and restore responsibility for what we spend and accountability for how we spend it. For too long, Washington has spent money without identifying a way to pay for it. Indeed, the cost of the 2001 and 2003 tax cuts as well as the Medicare prescription drug benefit passed in the last administration contributed significantly to turning the surpluses of the 1990s into the record deficits of the following decade. The financial crisis and recession exacerbated our fiscal situation as revenue decreased and automatic Government outlays increased to counter the recession and cushion its impact. The result was that upon taking office, the President faced an annual deficit of $1.3 trillion, or 9.2 percent of GDP, and a 10-year deficit of more than $8 trillion. Moreover, the need to jump-start our economy through the Recovery Act and save it from sliding into a Depression added approximately $1 trillion to our 10-year deficit projections.

In addition, for far too long, we have allowed programs to continue or to grow even when objectives are no longer clear and when they lack rigorous assessment of whether they were achieving the desired goals. The result has been the profusion of programs that are duplicative, ineffective, or outdated—at a significant cost to taxpayers.

Since taking office the President has worked to restore accountability and fiscal responsibility. In his first Budget, the President confronted directly the fiscal situation he inherited, eliminating trillions of dollars in budget gimmicks. He made a commitment to restoring fiscal responsibility, while recognizing that increasing the deficit in the short term was necessary to arrest the economic freefall. The President pledged to cut the deficit he inherited in half as a share of the economy by the end of his first term, a commitment this Budget keeps. He signed into law pay-as-you-go (PAYGO) legislation that returned the tough budget rules of the 1990s to Washington. The principle behind PAYGO is simple: all new, non-emergency entitlement spending and revenue losses must be offset by savings or revenue increases, with no exception for new tax cuts. And, recognizing the role that rising health care costs play in our long-term fiscal future, the President advocated for and signed into law fiscally responsible health reform that will reduce our deficit by more than $200 billion over the next 10 years and more than $1 trillion over the second 10 years, as well as fully pay for all new coverage. That is the most deficit reduction enacted in over a decade. Finally, the President convened the bipartisan National Commission on Fiscal Responsibility and Reform (the Fiscal Commission). Its work has reset the debate about further deficit reduction, and a number of its proposals are incorporated in this Budget.

Upon taking office, the President also demanded that the Government spend every taxpayer dollar with as much care as taxpayers spend their own dollars. The Administration went line-by-line through the Budget and identified more than 120 terminations, reductions, and savings for both 2010 and 2011, totaling approximately $20 billion in each year. These terminations ranged from a radio navigation system for ships made obsolete by GPS to new F-22 fighter jets. While recent administrations have seen between 15 and 20 percent of their proposed cuts approved by the Congress, we saw 60 percent of its proposed discretionary cuts become law for 2010. To help cut such unnecessary spending in the future, the President also introduced legislation to create an expedited rescission authority so that unnecessary spending can be struck swiftly and constitutionally. Finally, through the President's Accountable Government Initiative (AGI), the Administration has launched a host of initiatives to streamline what works, cut what does not, and eliminate wasteful spending. These include: focusing agencies on identifying and delivering on their top priorities, a comprehensive strategy to reform Government contracting that will save $40 billion by the end of 2011, an initiative to reduce the amount of improper payments made by the Government by $50 billion by the end of 2012, a review and reform of information technology use and procurement, an initiative to reduce administrative overhead by billions and improve performance, and an effort to dispose of billions of dollars of unneeded and under-utilized real property assets.

Recognizing that the pace of the economic recovery is not fast enough, the President has taken a series of steps—including signing into a law a bipartisan tax bill that prevented a tax increase and created incentives for business investment—to help the recovery take hold and broaden. Yet, looking beyond the short term, our long-term economic sustainability depends on setting the Nation on a fiscally responsible path. That is why the President has put forward a Budget that builds on what he has already accomplished by further restraining spending and tackling our long-term fiscal challenges, while continuing to expand investments in areas that are critical to long-term economic growth. Specifically, the Budget puts the Nation on the right course: toward a sustainable level of deficits of 3 percent of GDP by the middle of this decade. What is significant about this accomplishment is not just reaching primary (non-interest) balance, but that we do so while putting the Nation on a course that leads to further reductions in subsequent years. Redirecting our fiscal path in this positive direction is a significant accomplishment, one which will take tough choices and shared sacrifice—and is essential for the long-term competitiveness of the American economy.

Making Tough Choices to Restore Fiscal Discipline

To be competitive in the 21st Century, the United States cannot be weighed down by crippling budget deficits, ineffective programs that waste tax dollars, and a Government that is not accountable to the American people. As we move forward with the tough choices necessary to rein in our deficits and put the country on a sustainable fiscal path, we must balance those efforts with the investments and actions required to keep the economy growing and competing with other nations. We must look for cuts while protecting our core values. The Budget makes critical investments in areas important to growth and competitiveness while broadly sharing sacrifices to reduce the deficit. The Administration proposes to:

Freeze Non-Security Discretionary Spending for Five Years. It would be short-sighted to cut spending across the board and thus deprive critical areas for growth and competitiveness—such as education, innovation, and infrastructure—or carelessly slash programs that protect the most vulnerable. In his 2011 Budget request, the President proposed a three-year, non-security discretionary freeze. As the economic recovery takes hold, the President believes that it is important to go further and is now proposing a five-year, non-security discretionary freeze. This freeze is an extension of the one proposed last year, and thus, is based on 2010 enacted levels. This freeze is not a haphazard, across-the-board cut, but an approach in which areas critical for growth and job creation are protected or increased while other programs are cut back. This freeze would be the most aggressive effort to restrain discretionary spending to take effect in 30 years and, by 2015, would lower non-security discretionary funding as a share of the economy to the lowest level since Dwight D. Eisenhower was president. Over a decade, the five-year freeze saves more than $400 billion and puts the discretionary budget on a sustainable trajectory.

Freeze Federal Civilian Worker Pay for Two Years. Putting the Nation back on a sustainable fiscal path will take some tough choices and sacrifices. The men and women who serve their fellow Americans as civilian Federal workers are patriots who work for the Nation often at great personal sacrifice; they deserve our respect and gratitude. But just as families and businesses across the country are tightening their belts, so too must the Federal Government. On his first day in office, the President froze salaries for all senior political appointees at the White House. In his Budget last year, the President proposed extending that freeze to other political appointees, and he eliminated bonuses for all political appointees across the Administration. Starting in 2011, the President has proposed and the Congress enacted a two-year pay freeze for all civilian Federal workers. This will save $2 billion over the remainder of 2011, $28 billion over the next five years, and more than $60 billion over the next 10 years. The freeze will apply to all civilian Federal employees, including those working at the Department of Defense—but not military personnel. This freeze does not reflect on the performance of Federal workers; rather, it reflects the shared sacrifices we must make.

Cut or Consolidate Programs. Allocating budgetary resources always involves a trade-off between what one wants to do and what one can afford to do. This is exacerbated when the imperative is to limit spending in order to reduce the drag of deficits and debt on our economic growth and competitiveness. In each of his first two budgets, the President put forward more than 120 terminations, reductions, and savings totaling approximately $20 billion in each year. The Budget proposes more than 200 terminations, reductions, and savings, totaling approximately $30 billion in savings in 2012. To achieve these savings, we went through the Budget carefully to identify programs that were either ineffective, duplicative, or outdated and thus needed to be cut or consolidated. Others are programs whose mission the Administration cares deeply about, but meeting our fiscal targets is something that will take shared sacrifice by us all. Some of the proposed cuts and consolidations include:

- Suspending the extremely costly new year-round Pell Grant and eliminating the poorly targeted in-school interest subsidy for loans to graduate students to fully increase the maximum Pell award.

- Terminating the Marine Corps' Expeditionary Fighting Vehicle, the alternate engine for the Joint Strike Fighter, and the Surface Launched Advanced Medium Range Air-to-Air Missile program.

- Reducing funding for the Senior Community Service Employment Program and moving its function to the Administration on Aging to consolidate senior services and provide them more effectively.

- Cutting funding for the Teacher Quality Block Grant by close to $500 million and the Career and Technical Education (CTE) program by more than $280 million, shifting resources to initiatives more focused on results.

- Eliminating 13 discretionary Department of Education programs and consolidating 38 K-12 programs into 11 new programs that emphasize using competition to allocate funds, giving communities more choices around activities, and using rigorous evidence to fund what works.

- Reducing funding for the Community Development Block Grant by 7.5 percent or $300 million.

- Cutting the Community Services Block Grant program (CSBG) in half and transforming it from a formula-based program to a competitive grant program for Community Action Agencies. CSBG is a flexible anti-poverty program that has had weak oversight and accountability, and grant recipients have been virtually guaranteed funding for nearly 30 years.

- Reducing the Low Income Home Energy Assistance Program by $2.5 billion. This reduction returns the program to its 2008 level, which was before a spike in energy prices.

- Eliminating 12 tax breaks for oil, gas, and coal companies, closing loopholes to raise nearly $46 billion over the next decade.

- Reducing grants to large airports by $1.1 billion, targeting funds to small- and medium-sized airports, and giving large airports more flexibility to generate revenue on their own.

- Consolidating several Centers for Disease Control public health grant programs into one competitive one. This new approach will improve overall health outcomes while also strengthening accountability of Federal resources.

- Reducing the Department of Agriculture's single family housing direct loan program by 81 percent to $211 million and focusing efforts on the more effective single family housing loan guarantee program.

- Eliminating the Children's Hospital Graduate Medical Education Payment Program.

- Reducing funding for the Environmental Protection Agency's water infrastructure State Revolving Funds by $950 million and adjusting future year requests through 2016 with the goal of providing, on average, approximately 5 percent of total annual water infrastructure spending.

- Providing zero funding for new courthouse construction this fiscal year based on other priorities for the GSA capital budget.

Instill New Discipline in Defense Spending. Although the country is waging a war in Afghanistan and there is not a freeze on security spending, all parts of Government must share in the sacrifices needed to put the country on a sustainable fiscal path. Over the past decade, the Department of Defense (DOD) has seen an average increase to its base budget of 7.4 percent a year. Moving forward, DOD is pursuing a variety of strategies to approach zero real growth in defense spending, and saving $78 billion in its base budget (including $13 billion in 2012) relative to 2011's request for the next five years. Secretary Gates will oversee a package of terminations, consolidations, and efficiencies in operations to slow this growth, and if these savings materialize, the savings will be used to fund programs and efforts critical to the armed forces and the security of the Nation. Reflecting the winding down of military operations in Iraq, the Overseas Contingency Operations (OCO) budget for DOD in 2012 will be about 26 percent lower than levels in the President's 2011 request. As a result, the overall defense budget, including OCO, will be down by 5.2 percent from last year's request. In addition, the rate of growth in critical Department of State and other international programs also will be constrained, and these departments will be pursuing a range of efficiency initiatives.

Provide a Better Return to Taxpayers from Mineral Development. The public received about $9 billion in 2010 from fees, royalties, and other payments related to oil, gas, coal, and other mineral development on Federal lands and waters. A number of recent studies by the Government Accountability Office and the Department of the Interior's Inspector General have found that taxpayers could earn a better return through more rigorous oversight and policy changes, such as charging appropriate fees and reforming how royalties are set. The Budget proposes a number of actions to receive a fair return from the continued development of these vital U.S. mineral resources: charging a royalty on select hardrock minerals (such as silver, gold, and copper); terminating payments to coal-producing States and Tribes that no longer need funds to clean up abandoned coal mines; extending net receipt sharing, where States with mineral revenue payments help defray the costs of managing the mineral leases that generate the revenue; charging user fees to oil companies for processing oil and gas drilling permits and inspecting operations on Federal lands and waters, which complement new and rigorous safety and environmental standards to make sure that these activities are done responsibly; establishing fees for new non-producing oil and gas leases (both onshore and offshore) to encourage more timely production; and making administrative changes to Federal oil and gas royalties, such as adjusting royalty rates and terminating the royalty-in-kind program. Together, these changes are expected to generate approximately $3 billion in savings to the Treasury over 10 years.

Eliminate Earmarks. Since fiscal year 2009, earmarks have decreased in dollar amount by over $3 billion, but while there have been improvements in earmark transparency, we must go further. Simply, in this tight budget environment, we cannot afford earmarks. Earmarks are still inserted into spending bills without adequate review, and are often not used for the highest priority programs. If a bill is sent to the President with earmarks in it, he will veto it.

Require the Financial Services Industry to Pay Back Taxpayers. The Administration is calling for a Financial Crisis Responsibility Fee on the largest financial institutions to fully compensate taxpayers for the extraordinary support they provided to the financial sector through the Troubled Asset Relief Program (TARP) and other Government actions. The assistance given to the largest financial firms represented an extraordinary step that no one wanted to take, but one that was necessary in order to stem a deeper financial crisis and set the economy on a path to recovery. The cost associated with the excessive risk-taking by the largest financial institutions continues to ripple through the economy. Furthermore, although many of the largest financial firms have repaid the Treasury for their TARP assistance, they continue to implicitly benefit from the TARP funds that bolstered their balance sheets during a period of great economic upheaval. While the expected deficit cost of the TARP program has fallen by $66 billion since the 2011 Mid-Session Review to approximately $48 billion, shared responsibility requires that the largest financial firms pay back the taxpayer for the extraordinary support they received. The fee will be restricted to financial firms with assets over $50 billion and will be imposed until all TARP costs have been recouped. The Administration's Financial Crisis Responsibility Fee aligns with the congressional intent of the TARP legislation that requires the President to propose a way for the financial sector to pay back taxpayers so that not one penny of the Government's TARP-related debt is passed on to the next generation. It would extend beyond 2021 as necessary to achieve these ends. The structure of this fee would be consistent with principles agreed to by the G-20 Leaders and similar to fees proposed by other countries. This fee will generate $30 billion over 10 years.

Taking on the Long-Term Challenges to Our Fiscal Health

Cutting funding for discretionary programs and using those dollars more effectively and efficiently are important to begin to rein in our deficits. But non-security, discretionary spending represents approximately 12 percent of all spending. The solution to our long-term fiscal problems cannot rest on this alone. Taking on many of these long-term funding issues will take months, if not years, of discussion and deliberation. The Fiscal Commission's report opened a debate on many of these topics, such as tax reform and Social Security. The President hopes to build on the work they did to create space to discuss these issues, and begin a process of reform that results in putting the Nation on sound fiscal footing, creating the conditions for long-term economic growth, and doing both in a way that remains true to our most deeply-held values. The Administration will:

Take Steps Now to Reduce Future Liabilities. Too often, worthy programs or services are put in place, but allowed to run far too long on "autopilot" even when the evidence demonstrates that changes are needed to keep them affordable and effective. In the Budget, we take steps to restore responsibility to areas where there are looming debts and unfunded liabilities we currently will not be able to pay.

- *Pension Benefit Guaranty Corporation (PBGC).* The PBGC acts as a backstop to protect pension payments for workers whose companies have failed. When underfunded plans terminate, PBGC assumes responsibility for paying insured benefits; more than 1.5 million workers and retirees already look to PBGC for their benefits. However, the PBGC's pension insurance system is itself uderfunded, and the PBGC's liabilities exceed its assets. The PBGC receives no taxpayer funds and its premiums are currently far lower than what a private financial institution would charge. PBGC is unable to adjust its premiums to reflect a company's behavior and the risks to its pensions. The Budget proposes to give the PBGC Board the authority to adjust premiums and directs PBGC to take into account the risks that different sponsors pose to their retirees and to PBGC. This will both encourage companies to fully fund their pension benefits and ensure the continued financial soundness of PBGC. In order to ensure that these reforms are undertaken responsibily during challenging economic times the Budget would require two years of study and public comment before any implementation and gradual phasing in of any increases. This proposal is one component of the Administration's ongoing strategy to make the PBGC more accountable and efficient while strengtening the defined benefit pension system for the millions of American workers who rely on it for retirement security. This proposal is estimated to save $16 billion over the next decade.

- *Unemployment Insurance (UI).* The economic downturn has severely tested the adequacy of States' UI systems, forcing States to levy additional taxes on employers, which undermines much-needed job creation. To provide short-term relief in these States, the 2012 Budget provides a two-year suspension of State interest payments on their debt and automatic increases in Federal unemployment insurance taxes. At the same time, to encourage States to put their UI systems on firmer financial footing so they can better respond to future economic conditions, beginning in 2014 the Budget increases the maximum wages subject to unemployment taxes to $15,000, a level then indexed to average wages. The taxable wage base then will be nearly the same in real terms as it was in 1983, when President Reagan signed into law the last legislation increasing the wage base.

- *Fannie Mae and Freddie Mac.* When the President took office, the mortgage giants Fannie Mae and Freddie Mac had been put into Federal conservatorship as a result of their near collapse due to excessive risk taking. Thus far, Fannie Mae and Freddie Mac have received $131 billion of financial support from Treasury, net of dividends paid. Treasury estimates—which are consistent with "stress tests" by the independent Federal regulator that governs the government-sponsored enterprises (GSE's) in conservatorship—suggest that assistance to the GSE's in their current form could result in a total net cost to the taxpayer through 2021 of $73 billion (net of expected dividends), 45 percent lower than the net costs to date. The Budget proposes to gradually reduce the investment portfolios and size and amount of loans guaranteed by Fannie Mae and Freddie Mac and ending the conservatorship of these companies. Over time, the Administration will reduce the government's role in the mortgage market in a way that allows private capital to return without undermining the housing market recovery. At the same time, we will continue to ensure that the GSEs have sufficient capital to honor any guarantees issued now or in the future and the ability to meet any of their debt obligations during the period they are under conservatorship. In addition, the Administration is transmitting to the Congress a framework of principles for making the transition to a new housing finance system that will end the model of private gains and Federal taxpayer losses, repair the broken housing finance market, and minimize taxpayer exposure to financial risks. We will also seek to facilitate a market that provides stable and widely available mortgage credit, affordable housing options for low and middle-income homeowners and renters, and that has stronger protections for consumers and better disclosures as mandated by the financial regulatory reform that passed last year. The Administration will work with the Congress to pursue reform of the system that best fulfills these principles while engaging a wide range of stakeholders.

Continue Efforts to Restrain the Growth of Health Costs. Health care comprises one-quarter of non-interest Federal spending, and it is the major driver of future deficit growth. That is why the President signed into law the Affordable Care Act (ACA) which, according to the Congressional Budget Office's latest analysis, will save more than $200 billion over the next 10 years and reduce the deficit by more than $1 trillion over the second decade. Realizing this deficit reduction and efficiencies in the health care system that will reduce cost and improve quality will require effective implementation of the ACA, the President is resolutely committed to implementing ACA fairly, efficiently, and swiftly. Repealing or failing to implement health reform would return the Nation to the path of rapidly increasing health care costs, and add trillions to the budget deficit over the long run. To do more to restrain health care costs, the President is:

- Paying to offset necessary increases in the Sustainable Growth Rate (SGR) formula in Medicare. In December, the Administration worked with the Congress to offset legislation preventing an imminent decrease in physician payments. In the Budget, we go further and propose to continue this level of payment, and offset the increase above current law for the next two years with specific health savings. Looking beyond that, we are determined to work together to put in place a long-term plan to reform physician payment rates in a fiscally responsible way, and to craft a reformed reimbursement system that gives physicians incentives to improve quality and efficiency while providing them with predictable payments for the care they furnish to Medicare beneficiaries.

- Implementing cost-saving components of the ACA that target spending to maximize efficiency and quality per dollar spent, especially in Medicare and Medicaid. These reforms include reimbursing doctors and hospitals as Accountable Care Organizations, and adjusting payments to hospitals with high readmissions or hospital-acquired conditions—measures that will reward providers for efficient care, rather than fee-for-service payment that encourage excess costs through payment based on volume.

- Calling for a more aggressive effort to reform our medical malpractice system to reduce defensive medicine, promote patient safety, and improve patient outcomes. The President encourages Republicans to work constructively with him on medical malpractice as part of an overall effort to restrain health costs.

Make a Down Payment on Tax Reform. Over the nearly three decades since the last comprehensive reform effort, the tax system has been loaded up with revenue-side spending such as special deductions, credits, and other tax expenditures that help well-connected special interests, but do little for middle-class families or our Nation's economic growth. Now more than ever, when we want to compete and win in the world economy, we cannot afford a tax code burdened with special interest tax breaks. Successful comprehensive tax reform is a long process, often taking several years, but even though it is a daunting task, we cannot afford to shirk from the work. The President has called on the Congress to begin this process—building on the important work of the Fiscal Commission. To that end, the Budget calls for:

- *Beginning the Process of Corporate Tax Reform.* The United States has the highest corporate tax rate in the world. Part of the reason for this is the proliferation of tax breaks and loopholes written to benefit a particular company or industry. The result is a tax code that makes our businesses and our economy less competitive as a whole. The President is calling on the Congress to work with the Administration on corporate tax reform that would simplify the system, eliminate these special interest loopholes, level the playing field, and use the savings to lower the corporate tax rate for the first time in 25 years—and do so without adding a dime to our deficit.

- *Allowing the 2001 and 2003 High-Income and Estate Tax Cuts to Expire.* The tax cuts for those with household income above $250,000 a year passed in the Bush Administration were unfair and unaffordable at the time they were enacted and remain so today. Congressional Republicans insisted on extending them through 2012, along with a tax cut for the very largest estates, and threatened to allow taxes to increase on middle-class families if the Administration did not agree. Not extending the middle-class tax cuts would have hurt our nascent economic recovery, and imposed an enormous burden on working families. The Administration remains opposed to the permanent extension of these high-income tax cuts past 2012, as now scheduled, and supports the return of estate tax to 2009 rates and exemption levels.

- *Fully Paying for the Alternative Minimum Tax (AMT) Patch for Three Years.* This is the longest paid-for extension ever proposed, and is offset by an across-the-board 30 percent reduction in itemized deductions for high-income taxpayers. This would bring these rates back to where they were during the last year of the Reagan presidency, and if enacted, this provision would be the largest single reduction in revenue-spending since the 1986 tax reform. Continuing to pay for AMT relief after 2014 will reduce the deficit by more than 1 percent of GDP by the end of the decade.

Secure Social Security. On January 1 of this year, the very first Baby Boomers turned 65. As this large generation ages and retires, it will put stress on the Social Security system. Although Social Security does not face an immediate crisis and is not driving our short-term deficits or long-term debt, it does face a long-term financing shortfall. Failing to strengthen Social Security will result in substantial benefit cuts for future retirees and will undermine the basic notion that a lifetime of hard work should be rewarded with dignity in retirement. If we address these long-term challenges early, we can help ensure that Social Security's compact remains strong and progressive for future generations.

The President believes that we should come together now, in bipartisan fashion, to strengthen Social Security for the future. He calls on the Congress to follow the example of great party leaders in the past— such as Speaker Thomas P. O'Neill, Jr. and President Ronald Reagan—and work in a bipartisan fashion to strengthen Social Security for years to come. Guiding the Administration in these talks will be the President's six principles for reform:

- Any reform should strengthen Social Security for future generations and restore long-term solvency.

- The Administration will oppose any measures that privatize or weaken the Social Security system.

- While all measures to strengthen solvency should be on the table, the Administration will not accept an approach that slashes benefits for future generations.
- No current beneficiaries should see their basic benefits reduced.
- Reform should strengthen retirement security for the most vulnerable, including low-income seniors.
- Reform should maintain robust disability and survivors' benefits.

Creating a Government That is Effective and Efficient

Whether the Budget is in surplus or deficit, tolerating the waste of taxpayer dollars on programs that are outdated, ineffective, or duplicative is wrong. However, especially when we need to be tightening our belts, this inefficient and ineffective use of taxpayer dollars cannot be tolerated. Instead of accepting the status quo, the President has worked from day one to change how business is done in Washington. As part of its Accountable Government Initiative, the Administration has moved to cut wasteful spending and programs that do not work, strengthen and streamline what does work, modernize how Government operates to save money and improve performance, and make Government more open and responsive to the needs of the American people. To continue these efforts, the Administration proposes to:

Cut Improper Payments by $50 Billion. Each year, the Federal Government wastes billions of American taxpayers' dollars on improper payments to individuals, organizations, and contractors. These are payments made in the wrong amount, to the wrong person, or for the wrong reason. In the summer of 2010, the President set a goal of reducing improper payments by $50 billion between 2010 and 2012. The Administration has made meaningful progress toward achieving this goal. In 2010, the Government-wide improper payment rate declined to 5.49 percent, a decrease from the 5.65 percent reported in 2009. Agencies also reported that they recaptured $687 million in improper payments in 2010. This was the highest recapture amount reported in the seven years that agencies have reported payment recapture audit results, and puts the Administration on track to achieve its goal of recapturing at least $2 billion between 2010 and 2012. To continue efforts toward meeting the President's goal of reducing improper payments by $50 billion, the Administration will provide: $10 million for cutting-edge, anti-fraud technology in support of the Federal "Do Not Pay" list; $20 million to OMB's Partnership Fund for Program Integrity Innovation to support additional pilots for innovative Federal and State cooperation to improve the integrity, efficiency, and delivery, of assistance programs; and $16 billion in program integrity funding over five years to implement new activities to reduce payment error and enhance civil and criminal enforcement for Medicare, Medicaid, IRS, SSA, the Children's Health Insurance Program, and UI.

Dispose of Excess or Under-utilized Federal Property. Federal agencies operate and maintain more real property assets than are needed. This includes 14,000 buildings and structures currently designated as excess and 55,000 identified as under- or not-utilized. In June 2010, the President directed agencies to accelerate efforts to remove excess and surplus property for a savings of $8 billion by the end of 2012. To date, Federal agencies have identified $1.7 billion of the $3 billion in non-defense savings opportunities that the President has requested. The Department of Defense is also on track to achieve $5 billion in real property cost savings through the Base Realignment and Closure process in the same time period. Yet, there are significant barriers to disposing of these properties quickly and efficiently. Over the past 20 years, the Government has used a process to dispose of military real estate holdings, and the Administration will pursue a similar one to more quickly dispose of civilian properties and realize savings.

Reorganize Government. We live and do business in the information age, but the organization of our Government has not kept pace. Organizations have grown out of inertia, straying from their core mission. Duplicative efforts have sprung up that inhibit the efficacy of our efforts; for instance, there are 12 different agencies that deal with exports. Winning in the world economy will take a private sector that has at its disposal all it needs to compete with firms and workers from around the world. The President is committed to reorganizing the Federal Government so that it is better able to facilitate the needs of American companies, entrepreneurs, and innovators. In the coming months, the Administration will develop a proposal to merge, consolidate, and reorganize the Federal Government in a way that best serves the goal of a more competitive America.

Reduce Administrative Overhead. In its very first meeting, the President asked his Cabinet to find at least $100 million in collective cuts to their administrative budgets, separate and apart from those identified in the Budget. They responded by identifying 77 cost-saving measures, amounting to $243 million in savings through 2010. Building on that effort, the Budget includes agency-specific, targeted cuts to administrative expenses such as travel, printing, supplies, and advisory contract services. The total savings is estimated to be over $2 billion.

Move to Competitive Grant Programs Based on the Successful Race to the Top. Widely viewed as leveraging more change than any other competitive grant program in history, the Race to the Top (RTT) initiative spurred States across the Nation to bring together teachers, school leaders, and policymakers to achieve difficult yet fundamental improvements to our education system. By setting out clear standards that needed to be met to receive funds, RTT instigated change in States all across the Nation, including even those that ultimately did not receive RTT funds. Moreover, it got better results for taxpayer dollars. Using this is as a model, the RTT approach is being expanded to transform and improve lifelong learning from early childhood education through college and beyond; to allocate grants for transportation; to bring innovation to workforce training; and to encourage both commercial building efficiency and electric vehicle deployment.

Save Billions of Dollars in Contracting. After over a decade of dramatic contract growth, this Administration has turned the tide and reduced contract spending. In March 2009, the President charged Federal departments and agencies with saving $40 billion annually by 2011 through terminating unnecessary contracts, strengthening acquisition management, ending the over-reliance on contractors, and reducing the use of high-risk contracts. Just one year after the President directed his Administration to cut contract costs, agencies spent $80 billion less in 2010 than they would have spent had spending continued to grow at the same rate it did from 2000 to 2008. In fact, for the first time since 1997, overall contract spending declined. In 2012, the Administration will continue to work with agencies on furthering their contracting reform efforts, with a particular focus on service contracting, and continue to explore ways to gain additional savings. In addition, the Administration will require agencies to continue their efforts to reduce high-risk contracting for new contract awards. Finally, the Federal Government will continue to improve the integrity and transparency of the procurement system by giving the public access to the Federal Awardee Performance and Integrity Information System, a one-stop source for data on a contractor's track record and business ethics. For the first time, taxpayers will be able to see the information that contracting officers use to protect the public's resources from the waste and abuse of contractors who are proven bad actors.

Continue Efforts to Rigorously Evaluate Program Performance. In order to understand what works and what does not in the Federal Government and thus better use taxpayer dollars, rigorous evaluations of results are critical. Continuing its emphasis on rigorous program evaluations initiated in the 2011 Budget, the Administration is proposing new funding for 2012 for 19 evaluations that have the potential for strong study designs and that address important actionable questions or strengthen agency capacity to support such strong evaluations. These evaluations will assess, for example, the effectiveness of different strategies for improving college enrollment, persistence, and completion; capacity-building for the U.S. Agency for International Development to help make rigorous evaluation a more routine aspect of their international development assistance efforts; and an analysis of ways to make the Federal workforce more efficient. In addition, an inter-agency working group is promoting stronger evaluation across the Federal Government, and OMB is working with agencies to make information readily available online about all Federal evaluations that are planned or already underway.

Reform How Information Technology is Procured and Used. The Federal Government spends tens of billions of dollars on information technology (IT) each year, yet lags behind the private sector's gains in productivity and improvements in service. A number of structural barriers have prevented the public sector from achieving these gains and closing this technology gap. Through TechStat sessions (intensive reviews of IT projects) and an IT dashboard, which provides a clear window into Federal IT projects bolstering transparency and accountability, OMB has taken an intensive review of IT programs, eliminated ineffective projects, reconfigured others, and has begun targeting IT expenditures more carefully. Over the last 18 months this has reduced future budgeted costs by $3.1 billion. Looking ahead, the Administration will implement a detailed plan to reform Federal IT that focuses on turning around poorly performing IT projects, accelerating agency adoption of commodity IT to save billions in duplicative spending and underperforming projects, working with agencies to reduce the time and effort required to acquire IT, and holding providers of IT goods and services accountable for their performance. As part of this reform, the Administration is reducing the number of data centers by 40 percent by 2015 and moving to a "cloud first" policy of adopting light technologies and shared solutions. By consolidating data centers and leveraging cloud computing the Federal Government will reduce the Nation's data center footprint, strengthen security, and yield savings in the form of real estate, energy, equipment, and maintenance costs that can then be redirected toward the projects with the greatest benefit to the American taxpayer.

Continue to Drive Progress on Priority Goals. Government works better when leaders identify a limited number of clear, measurable, and ambitious goals and regularly review progress toward them. Building on lessons of the past, Federal agency leaders have identified a small number of ambitious, outcome-focused, near-term High Priority Performance Goals (Priority Goals) that did not require additional resources or legislative action to achieve within 24-months, but rather are hinged on strong execution. Each agency designated a senior accountable official, a "Goal Leader," responsible for driving progress on each goal and is working toward meeting them.

OMB, working with the Performance Improvement Council (PIC), has begun monitoring review processes at the 24 agencies with Priority Goals to identify best practices worth sharing and in the coming year agencies will conduct quarterly constructive data-driven reviews. In the coming year, OMB and the PIC will launch a community-of-practice to strengthen agency capacity to prepare for and run effective internal results reviews and help Federal agencies strengthen their analytic skills to extract insights and actionable lessons from the data they gather and integrate root cause analyses and hypothesis testing into program operations. Programs will be encouraged to search for research about effective interventions relevant to their work, and expected to find organizations with which to benchmark processes and outcomes. And OMB will begin immediate implementation of the newly enacted GPRA Modernization Act of 2010, a law that builds on the strengths of the Government Performance and Results Act of 1993 (GPRA) and addresses its weaknesses.

COMPETING AND WINNING IN THE WORLD ECONOMY

Taking steps to strengthen our economic recovery now so that we can spur job creation is critical to getting Americans back to work and our Nation back on its feet. But our focus cannot just be the short term. We also must look ahead to what will create the economic growth and the jobs over the next several years so that we can keep the American Dream alive for our children and grandchildren. That starts with recognizing that in the high-tech, interdependent world of the 21st Century, our companies and our workers are not just competing with each other, but with their counterparts all over the world. Indeed, we, as a Nation, are competing with countries all over the globe that are eager to win the contest for growth, jobs, and prosperity for their people.

There should be little doubt that America can win this race. Our universities and research facilities are the best in the world, as are the students, researchers, and scientists who study and work there. Throughout our history, the American people have demonstrated ingenuity and a drive that have birthed whole new industries, from automobiles to information technology. We are a Nation of innovators, builders, and risk-takers who never shy away from a challenge. But with economic competitors the world over eager to emulate our success and surpass it, we cannot stand still or take success for granted. We must transform our economy from one too focused on speculation, spending, and borrowing to one that is educating, innovating, and building. We need to construct a new foundation for long-term economic growth that has as its pillars what is needed to win in the world economy: an educated and skilled workforce; cutting-edge research into the innovations that will power the industries of tomorrow; and a modern, robust infrastructure that can support a growing, high-tech economy and the jobs to support a growing middle class. With that as a base, we can out compete any country and thrive in the years to come.

Making these investments and re-tooling our Nation for this challenge is not an easy task, and the effects of the recession and the irresponsibility that preceded it will make it even more difficult. Putting the Nation on a sustainable fiscal path and getting our deficits under control are critical to making the United States competitive in the global economy, and the Budget lays out a strategy to do that. At the same time, it also recognizes that we cannot cut back on investments that will fuel future economic growth particularly since sustained and robust economic growth plays a very significant, long-term role in reducing deficits. So while the Budget identifies cuts and savings and asks for shared sacrifices across the Government, it also invests in areas critical to helping America win the race for the jobs and industries of the future.

Educating a Competitive Workforce

For decades, the strength of our schools and universities as well as our ability to provide a quality education to a large number of our people has been an engine of our economy. From the land-grant universities of the 19th century to the GI Bill in the 20th, we have worked to open the doors of college to more and more of our people. Looking ahead, a highly-educated and skilled workforce will be critical to competing in the global economy. Yet the United States is in danger of falling behind. In a generation, we have dropped from first to ninth place in the proportion of young people with a college degree. Out of 24 industrialized nations, the United States ranks 18th in high school graduation rate, and we lag behind other nations in the quality of our math and science education. When it comes to education, we cannot afford to fall to the back of the class. That is why the President has set an ambitious goal: by 2020, we will once again have the highest proportion of college graduates in the world. Meeting this goal will give us a workforce that is second to none, and a steady stream of inventors and entrepreneurs to create the businesses and jobs of the future.

Our approach to investing in education is not just to direct significant resources to where they are needed, but also to ensure that those funds are being invested in programs that are effective in educating our children. Over the past two years, the Administration has funded evaluations and required greater use of evidence in grant competitions, so we can see and fund what works. Central to this effort has been the Race to the Top (RTT) initiative for elementary and secondary education, which created a competition for funds that spurred States across the Nation to bring together teachers, school leaders, and policy makers to achieve difficult, yet fundamental improvements to our education system. By offering competitive funding, demanding significant reforms with deep support, requiring outcomes, and measuring success, the RTT competition fostered meaningful change even in States that ultimately did not win an award. In the 2012 Budget, the Administration continues the work of reform not just by devoting more resources, but also by making sure that funds are used to deliver results efficiently and effectively. To meet the President's goal on college access and completion, the Administration is proposing investments and reforms that touch every phase of a lifetime of learning. We will:

Establish a Competitive Early Learning Challenge Fund. Recognizing that quality early education is an investment that pays off for years to come, the Administration proposes extending the RTT approach to early childhood education. Accordingly, the Budget includes $350 million to establish a new, competitive Early Learning Challenge Fund, administered by the Department of Education and the Department of Health and Human Services, for States that are ready to take dramatic steps to improve the quality of their early childhood programs. The Early Learning Challenge Fund builds on the Administration's initiatives to expand Head Start and improve its quality through competition. The proposal also works in tandem with the Administration's proposal to increase child care funding while also enacting new legislation that empowers parents and lifts the quality of child care programs.

Reform Elementary and Secondary School Funding by Setting High Standards, Encouraging Innovation, and Rewarding Success. Too often, education funds are allocated based on variables that are not tied to success or the educational goals we need to reach to educate a competitive workforce. As the Congress moves forward to reauthorize the Elementary and Secondary Education Act, the Administration will work with the Congress to restructure K-12 funding to focus resources on the Nation's most critical educational goals. Specifically, we want to encourage States to adopt standards that prepare all students for college and a career; to support dramatic improvements in the quality of assessments; and to recognize and reward schools and teachers for helping students make important gains. Our proposal also offers new flexibility for successful States and districts to pursue solutions to help all students graduate from high school, college- and career-ready. In addition, we would encourage innovation by consolidating narrow programs into broader authority. Key support for this proposal in the Budget includes:

- Bringing the Race to the Top (RTT) reform to school districts, with a focus on cost-effective reforms that improve student achievement in an era of tight budgets.

- Continuing the Investing in Innovation program to test, validate, and expand effective approaches to student learning and launching the new "pay for success" bonds that provide funding only after results are achieved.

- Expanding educational options by helping to grow effective charter schools and other autonomous public schools that achieve positive results and give parents more choices.

- Providing significant funding for School Turnaround Grants to help States and school districts turn around our Nation's lowest performing schools.

- Eliminating 13 discretionary programs and consolidating 38 K-12 programs into 11 new programs that emphasize using competition to allocate funds, giving communities more choices around activities and using rigorous evidence to fund what works. The Administration will make sure that, under these competitions, there is an equitable geographic distribution of funds nationwide, including to rural communities.

Prepare 100,000 STEM Teachers Over the Next Decade. Students need to master science, technology, engineering, and mathematics (STEM) in order to thrive in the 21st Century economy. Steadily, we have seen other nations eclipse ours in preparing their children in these critical fields. That is why the President has set the ambitious goal of preparing 100,000 STEM teachers over the next decade, and recruiting 10,000 STEM teachers over the next two years. The Budget allocates $100 million toward that goal, including $80 million from the Department of Education to expand promising and effective models of teacher preparation in STEM and $20 million from the National Science Foundation (NSF) to launch a new teacher-training research program called Teacher Learning for the Future. In cooperation with the Department of Education, NSF's Teacher Learning for the Future program will fund innovative efforts that design, develop, implement, and test new teacher-training programs. To encourage undergraduates from groups historically underrepresented in STEM fields, the Budget also proposes $20 million for an overarching, comprehensive science and technology workforce program at NSF. These programs will be developed in conjunction with a Government-wide effort to improve the impact of Federal investments in math and science education by ensuring that all programs supporting K-12 and undergraduate education adhere to consistent standards of effectiveness.

Open the Doors of College to More Americans. To boost the number of college graduates, we need to make it easier for students to afford a postsecondary education and support efforts to increase the number of students who get their degree. One of the most effective ways to help students afford college is the Pell Grant program. Since 2008, the Administration has increased the maximum Pell Grant by $819, ensuring access to postsecondary education for over 9 million needy students. The Budget maintains this commitment by sustaining the $5,550 maximum award and paying for this expansion with a difficult but necessary Pell Grant Protection Act that suspends the costly and ineffective new year-round Pell Grant and eliminates the poorly-targeted in-school interest subsidy for loans to graduate students. This approach fully funds the currently anticipated growth in Pell Grants and the Administration is also committed to working with the Congress to develop an approach that addresses unanticipated growth. The Administration also proposes to introduce into the Fund for Improvement of Postsecondary Education an evidence-based framework, enabling the Fund to become a postsecondary "Investing in Innovation" program that will test, validate, and expand effective approaches to improving college access and completion and educational productivity. In addition to these competitive grants, the Budget provides $50 million in 2012 and a total of $1.3 billion over five years in performance-based funding to institutions that successfully enroll and graduate high-need students and enable them to enter successful employment.

Bring Competition to and Encourage New Approaches for Job Training. To compete in the global economy, we need skilled workers who can access opportunities to upgrade and hone their skills as their careers progress and technology changes. The Budget provides nearly $10 billion for Workforce Investment Act programs, which match unemployed people with jobs and give individuals with skill gaps the training they need to secure family-sustaining employment. The Administration will work with the Congress on a reauthorization bill that streamlines service delivery and breaks down program silos, better meets the needs of employers and regional economies, holds the system accountable for serving all workers and job-seekers well, learns more easily from experience, and promotes innovation and reform based on what works. Recognizing that the best ideas often come from the bottom up, the Budget establishes a Workforce Innovation Fund that, paired with broader waiver authority, will encourage States, regions, and localities to break down barriers among programs, test new ideas, and replicate proven strategies for delivering better employment and education results in a more cost-effective way.

Investing in American Innovation

From Franklin to Edison, from Ford to Gates and Jobs, American inventors and entrepreneurs have transformed the world. To compete in the 21st Century economy, we need to create an environment where invention, innovation, and industry can flourish. That starts with continuing investment in the basic science and engineering research and technology development from which new products, new businesses, and even new industries are formed. It means writing our rules, regulations, and laws in a way that promote growth and innovation and make it easier for scientists and inventors to bring their ideas to market and see those ideas become thriving businesses. And, we must focus our efforts in areas that show the most promise for job creation to compete with growing countries that are devoting more of their resources to these industries.

That is why the Budget makes a significant investment in clean energy technology. Whoever leads in the global, clean energy economy will also take the lead in creating high-paying, highly-skilled jobs for its people. More than that, moving toward a clean energy economy will reduce our reliance on foreign oil and on other energy sources that contribute to global warming. We are at the cusp of a future in which hundreds of thousands of cars and trucks that do not rely on a gasoline-powered engine will be on our roads, and where millions of homes will be powered by electricity from clean sources. To bring about this future and to nurture the incalculable number of good ideas that one day will be ready to go from lab to market, we need to make the United States the world leader in innovation. The Budget proposes to:

Increase Investment in Research and Development (R&D) and the Creation of Transformational Technologies. For many years, the United States has been a world leader in R&D spending, as well as in the quality and impact of that spending. The challenge is for the United States to make private and public investments in science, research and development that will keep the United States as the world's leader in innovation for decades to come. The 2012 Budget does that by providing $148 billion for R&D overall, while targeting resources to those areas most likely to directly contribute to the creation of transformational technologies that can create the businesses and jobs of the future. Among the steps taken are:

- Continuing the effort to double investments in basic research conducted at NSF, the Department of Energy's Office of Science, and the National Institute of Standards and Technology labs. Within these agencies, funds will be focused on basic research directed at priority areas, such as clean energy technologies, advanced manufacturing technologies, and cybersecurity.

- Maintaining robust investment in biomedical research at the National Institutes of Health (NIH). To get the most from these investments, NIH will increase its focus on reducing barriers to the translation of basic research discoveries to clinical trials, which will facilitate the development of new therapeutics to treat diseases and disorders that affect millions of Americans.

- Supporting research into cutting-edge areas of manufacturing—such as nanotechnology and bio-manufacturing—that stands to create thousands of new jobs.

- Launching a new Advanced Research Projects Agency-Education (ARPA-ED) to engage in directed development projects and pursue ground-breaking technology applications which could dramatically increase productivity throughout the Nation's education system.

- Making a significant commitment to U.S. energy technology leadership by more than doubling energy efficiency research, development, and deployment; increasing renewable energy investments by over 70 percent; investing in research and licensing support for modular nuclear reactors; and providing $36 billion in loan authority for nuclear power plants, as well as up to $2 billion in loan guarantees for renewable and energy efficiency projects.

Bring the Best Minds Together to Work on Critical Clean Energy Research. Innovation and breakthroughs often happen when scientists and thinkers from different disciplines have a chance to work together on some of our toughest problems. This was the approach undertaken in the Manhattan Project to develop the atomic bomb and in the effort to develop radar, and collaboration is increasingly the source of the highest-impact ideas. As we look at the challenges facing the Nation, especially those related to clean energy, we need to foster this kind of creativity. That is why we are challenging America's scientists and engineers to assemble teams of the best minds in their fields to focus on the hardest problems in clean energy. The best proposals will be funded as new Energy Innovation Hubs. Currently, we have three Hubs in place, which specialize in fuels from sunlight, energy efficient buildings, and modeling and simulation technologies for nuclear power. The Budget doubles the number of Energy Innovation Hubs, creating three more hubs across the country. These new Hubs will bring together top scientists to work in teams on cross-disciplinary research related to: critical materials, including rare earth elements; battery manufacturing for new vehicle technologies; and the development of new grid materials and systems to help Smart Grid technology and improve energy transmission efficiency. These Hubs will capture the same creative spirit that birthed some of the most important innovations of the last century to make advances on some of the most important technological problems of this century. They can be the Apollo projects of our time.

Bring About a Clean Energy Economy and Create the Jobs of the Future. Moving toward a clean energy economy will reduce air and water pollution and enhance our national security by reducing dependence on foreign oil. Cleaner energy will play a crucial role in slowing global climate change, meeting the President's goals of cutting greenhouse gas emissions in the range of 17 percent below 2005 levels by 2020, and 83 percent by 2050. Just as important, ensuring that the Nation leads the world in the clean energy economy is an economic imperative. This industry, which was in its infancy just a few years ago, is now growing by leaps and bounds. Renewable energy capacity in both the world and in the United States more than tripled between 2000 and 2009. Wind energy—the fastest growing renewable energy technology—grew even faster during that same period, with generation increasing by a factor of almost 9 worldwide and a factor of 14 in the United States. Across the globe—from Europe to Asia to South America—countries are making significant investments in clean energy technologies to win the race to dominate this growing industry. The Administration supports a range of investments and initiatives to help make the United States the leader in this industry and bring about a clean energy economy with its new companies and jobs:

- *Putting One Million Advanced Technology Vehicles on the Road by 2015.* In 2008, the President set an ambitious goal of having one million advanced technology vehicles on the road by 2015. To reach that goal and become the first in the world to do so, the Budget proposes a new effort to support electric vehicle manufacturing and adoption in the United States through new consumer rebates, investments in R&D, and competitive programs to encourage communities that invest in electric vehicle infrastructure. Specifically, the Budget proposes to: transform the existing $7,500 tax credit for electric vehicles into a rebate that will be available to all consumers immediately at the point of sale; advance innovative technologies through new R&D investments, building on Recovery Act investments, by investing $588 million for vehicle technologies at DOE—an increase of 80 percent; and reward communities that invest in electric vehicle infrastructure through a $200 million program, modeled after Race to the Top, which provides an incentive for communities to invest in electric vehicle infrastructure and remove regulatory barriers.

- *Doubling the Share of Electricity from Clean Energy Sources by 2035.* The President's proposed Clean Energy Standard is the centerpiece of the Administration's strategy to ensure strong American leadership in the clean energy economy. To support this goal, the Budget increases funding for renewable energy research and development; supports advances in fossil energy technologies that reduce carbon emissions from coal-fired power plants; supports nuclear energy; and promotes the expansion and use of clean energy across the country including rural areas. The Budget also builds on current financing efforts by providing up to an additional $36 billion in loan authority for new nuclear power facilities and an additional $200 million in credit subsidy to support $1 billion to $2 billion in loan guarantees for innovative energy efficiency and renewable energy projects.

- *Reduce Buildings' Energy Use by 20 Percent by 2020.* The 80 billion square feet of non-residential building space in the United States present an opportunity to realize large gains in energy efficiency. In 2010, commercial buildings consumed roughly 20 percent of all energy in the U.S. economy. The President's Better Buildings Initiative will, over the next 10 years, seek to make non-residential buildings 20 percent more energy efficient by catalyzing private sector investment through a series of incentives to upgrade offices, stores, universities, hospitals and commercial buildings. The Budget proposes to make American buildings more energy efficient through three new initiatives: re-designing the current tax deduction for commercial buildings and upgrades to a credit and increasing the program to an estimated $1 billion; launching a new loan guarantee program at the Department of Energy to increase financing opportunities for universities, schools, and hospitals; encouraging use of the Small Business Administration's 504 Certified Development Company loan guarantee program to support energy-sufficiency retrofit investments in commercial buildings; and creating a $100 million "Race to Green" competition for State and municipal governments to implement innovative approaches to building codes, standards, and performance measurement so that commercial building efficiency will become the norm. This program builds on the Administration's commitment to retrofitting residential and government buildings, particularly through Recovery Act investments and our proposed Homestar program.

- *Issuing Permits for 9,000 Megawatts of New Solar, Wind, and Geothermal Energy Generation on Federal Lands.* The vast acreage of Federal land holdings presents an opportunity for the Nation to facilitate large-scale clean energy projects. The Budget includes $73 million to maintain capacity to review and permit new renewable energy projects on Federal lands, with the goal of permitting at least 9,000 megawatts of new solar, wind, and geothermal electricity generation capacity on Department of the Interior-managed lands by the end of calendar year 2011.

- *Pursue Responsible Oil and Gas Production.* Even as we develop next generation energy technologies, we will continue to rely on oil and gas. As was underscored by the tragic explosion of the Deepwater Horizon and the oil spill that followed, we must take immediate steps to make production safer and more environmentally responsible. In the wake of the spill, the Administration has focused on implementing more rigorous safety and environmental standards than ever before, and making structural reforms within the Department of the Interior to increase oversight of offshore drilling, including greater independence for a new environmental enforcement agency to be created through the restructuring. The Budget proposes over $500 million to restructure the Bureau of Ocean Energy Management, Regulation, and Enforcement; hire new oil and gas inspectors, engineers, scientists, and other key staff to oversee industry operations; establish real-time monitoring of key drilling activities; conduct detailed engineering reviews of offshore drilling and production safety systems; and implement more aggressive reviews of company oil spill response plans. In addition, the Administration is committed to holding the oil and gas industry accountable for the risks associated with oil and gas production by removing the existing liability cap for damages associated with offshore drilling activity and increasing the liability caps for other activities that could result in a spill.

Reform our Tax Code to Foster Innovation and Competitiveness. Over the nearly three decades since the last comprehensive reform effort, the tax system has been loaded up with revenue-side spending such as special deductions, credits, and other tax expenditures that help well-connected special interests, but do little for middle-class families or our Nation's economic growth. Now more than ever, when we want to compete and win in the world economy, we cannot afford a tax code burdened with special interest tax breaks. Successful comprehensive tax reform is a long process, often taking several years, but even though it is a daunting task, we cannot afford to shirk from the work. In an increasingly competitive global economy, we need to ensure that our country remains the most attractive place for entrepreneurship and business growth. As a first step toward reform, the President calls on the Congress to immediately begin work on reform that will close loopholes, lower the overall rate, and not add a dime to the deficit.

Simplify, Expand, and Make Permanent the Research and Experimentation (R&E) Tax Credit. The R&E tax credit is a powerful incentive for private firms to make investments in the research and development necessary to keep a pipeline of new and improved products coming to market, which is critical to economic growth and job creation. Yet the United States currently ranks 24th out of 38 countries in the generosity of our R&E tax incentives. That's why, as part of corporate tax reform, the President supports making the R&E tax credit permanent to give businesses the certainty they need to make these important investments. In addition, the Administration wants to expand the credit by about 20 percent, the largest increase in the credit's history, and simplify it so that it is easier for firms to take this credit and make the investments our economy needs to compete.

Improve the Patent System and Protect Intellectual Property. The Budget proposes to give the U.S. Patent and Trademark Office (USPTO) full access to its fee collections and strengthen USPTO's efforts to improve the speed and quality of patent examinations through a temporary fee surcharge and regulatory and legislative reforms. The surcharge will better align application fees with processing costs. In total, this will provide USPTO with more than $2.7 billion in resources in 2012, or more than 34 percent above 2010 levels. The Budget also supports strengthened intellectual property enforcement domestically and overseas as set out in the Intellectual Property Enforcement Coordinator's Joint Strategic Plan required by the 2008 PRO-IP Act.

Establish New Economic Growth Zones. To bolster economic rejuvenation in hard-hit areas of our country, the Administration proposes a new Growth Zone program that will deliver expanded tax incentives for investment and employment and a more streamlined access to Federal assistance to 20 areas facing economic distress, but showing clear growth potential. Replacing the Empowerment Zone program, the Growth Zones will include a mix of rural and urban areas that will be selected through a national competition that will judge their competitive strategies and their need and ability to attract investment and growth.

Building a 21st Century Infrastructure

From the Erie Canal to the transcontinental railroad, from the interstate highway system to the Internet, infrastructure has been critical to the economic growth and competitiveness of the American economy. For too long, we have neglected our Nation's infrastructure, its roads, bridges, levees, waterways, communications networks, and transit systems. In fact, the Department of Transportation's Bureau of Transportation Statistics estimates that more than 11 percent of U.S. highway bridges were structurally deficient and 13 percent of bridges were functionally obsolete at the end of 2008, the most recent period for which data are available. Further, the Texas Transportation Institute recently reported that Americans wasted 3.9 billion gallons of fuel in 2009 due to traffic congestion—an amount equal to 130 days of flow in the Alaska pipeline. In addition, we lag behind other nations when it comes to the infrastructure of the future. For example, only 63 percent of American households subscribe to high-speed, broadband Internet compared to 95 percent in South Korea and 77 percent in the Netherlands.

To compete in the 21st Century, we need an infrastructure that keeps pace with the times and outpaces our rivals. In the Recovery Act, the Administration made the largest one-time investment in our Nation's infrastructure since President Eisenhower called for the creation of a national highway system. Now, we must build on those efforts, and we must do so responsibly by paying for what we build. We cannot strengthen our economy with a modern infrastructure if at the same time it weakens our fiscal standing. To build the infrastructure we need to compete in the 21st Century, the Budget proposes to:

Enact a Historic $556 Billion Surface Transportation Reauthorization and Better Allocate Those Dollars to Get Results. Recognizing the importance of a modern transportation infrastructure to the growth and competitiveness of the economy, the President proposes a $556 billion, six-year surface reauthorization package—expanded to include inter-city passenger rail transportation—which is an increase of more than 60 percent above the inflation-adjusted levels in the previous six-year bill plus annual appropriated funding for passenger rail during those years. This proposal is not just a historic commitment of funds, but also seeks to reform how these dollars are spent so that they are directed to the most effective programs and projects. It will hold States and localities accountable for real results and make Federal funding decisions based on more sound and inclusive transportation plans. Specifically, the plan seeks to:

- Create hundreds of thousands of jobs in the short term with a $50 billion up-front investment for roads, rails, and runways. This is a key part of the President's initiative to deepen the economic recovery and spur job creation.

- Provide 80 percent of Americans with convenient access to a passenger rail system, featuring high-speed service, within 25 years. The Budget provides $53 billion over six years to fund the development of high-speed rail and other passenger rail programs as part of an integrated national strategy. This includes merging Amtrak's stand-alone subsidies into the high-speed rail program as part of a larger, competitive System Preservation Initiative.

- Create a National Infrastructure Bank to support projects critical to national competitiveness. Too often, transportation dollars are viewed from the perspective of an individual State or locality. Yet, there are projects that have national or regional significance and need to be approached in that way. For example, improvements in road and rail access to a West Coast port benefit farmers in the Midwest. The National Infrastructure Bank will be funded at $30 billion over six years to support these kinds of projects. A cornerstone of the Bank's approach will be a rigorous project comparison method that transparently measures which projects offer the biggest "bang for the buck" to taxpayers and our economy.

- Bring more accountability, goal-driven performance, competition, and innovation to transportation funds through a competitive, Race to the Top-style grant program that also will create incentives for States and localities to adopt critical reforms in a variety of areas, including safety, livability, and demand management. Proposed funding for this program is $32 billion over six years.

- Get the most out of taxpayer dollars with a new "fix-it-first" emphasis for highway and transit grants and through the consolidation of 55 duplicative, often-earmarked highway programs into five streamlined programs.

- Pay for any surface transportation reauthorization package so that it does not increase the deficit. To that end, the Budget follows the recommendation of the Fiscal Commission and proposes to make all programs included in surface transportation reauthorization subject to PAYGO (i.e., outlays classified as mandatory). This is intended to ensure that loopholes in budgetary treatment do not obscure the important goal of generating broad consensus for a fiscally responsible plan.

Build a 21st Century Aviation System that Reduces Delays and Improves Safety. The Budget provides $1.24 billion for the Next Generation Air Transportation System, the Federal Aviation Administration's multi-year effort to improve the efficiency, safety, and capacity of the aviation system. This will help the country move from a national, ground-based radar surveillance system to a more accurate satellite-based one which will result in the development of more efficient routes through airspace. This, in turn, would allow more planes to fly, reduce delays, save fuel, and improve overall safety. To assist those airports that need the most help, the Administration proposes to focus Federal grants to support smaller commercial and general aviation airports that do not have access to additional revenue or other outside sources of capital and reduce grants for larger airports. At the same time, the Budget would allow larger airports to increase non-Federal passenger facility charges, creating the flexibility to generate their own revenue as they see fit.

Invest in Smart, Energy-Efficient, and Reliable Electricity Delivery Infrastructure. The Budget continues to support the modernization of the Nation's electrical grid, by investing in research, development, and demonstration of smart-grid technologies that will spur the transition to a smarter, more efficient, secure and reliable electrical system. The end result will promote energy- and cost-saving choices for consumers, reduce emissions, and foster the growth of renewable energy sources like wind and solar. In addition, the Budget supports the Power Marketing Administration to reliably operate, maintain, and rehabilitate the Federal hydropower and transmission systems.

Bring Next-Generation, Wireless Broadband to All Parts of the Country. The advances in wireless technology and the adoption of and reliance on wireless devices in daily commercial and personal life have been dramatic. High-speed, wireless broadband is fast becoming a critical component of business operations and economic growth. The United States needs to lead the world in providing broad access to the fastest networks possible. To do that, however, requires freeing up underutilized spectrum currently dedicated to other private and Federal uses. To that end, the Budget proposes legislation to provide authority for "voluntary incentive auctions" that will enable spectrum licensees to auction the rights to use their spectrum in return for a share of the proceeds. This step is critical both for reallocating spectrum and re-purposing it over the coming decade to greatly facilitate access for smart phones, portable computers, and innovative technologies that are on the horizon. Voluntary incentive auctions, along with other measures to enable more efficient spectrum management, will generate more than $27 billion over the next 10 years, providing funds that will enable us to:

- Build an interoperable wireless broadband network for public safety that would allow for seamless use by first responders across the country and reserve additional spectrum for public safety use.

- Expand high-speed, wireless broadband to rural America, complementing the Federal Communications Commission's reform of its Universal Service Fund.

- Establish a Wireless Innovation Fund to accelerate the research and development of cutting-edge wireless technologies and applications.

Taken together, these investments will give more Americans access to the data networks that will be central to future economic growth and job creation. And nearly $10 billion of the funds generated from spectrum re-allocation will be used for deficit reduction.

Invest in High-Priority Water Resources Infrastructure and Eliminate Duplicative Programs. While there are a number of worthy water infrastructure projects, we cannot fund them all. In the Budget, the Administration gives priority for funding the operation and maintenance of the key infrastructure that is most important to the Nation, including the inland waterways with the most commercial use (the Mississippi and Ohio Rivers and the Illinois Waterway) and the major coastal harbors and their channels. The Budget also emphasizes funding for dam safety work, construction of projects with substantial life-saving benefits, and projects that will complete construction in 2012. The Administration proposes to eliminate programs that duplicate other Federal, State, or local efforts, including Corps funding of local water and wastewater treatment projects. The Administration also will focus on ways to ensure the responsiveness, accountability, and operational oversight of the civil works program in order to best meet current and future water resources challenges. Together, these efforts will improve performance and free up resources for other uses and deficit reduction.

Reduce Funding for State Revolving Funds (SRFs) While Spurring Efficiency and Reform. As part of the Administration's long-term strategy, the Environmental Protection Agency is implementing a Sustainable Water Infrastructure Policy that focuses on working with States and communities to enhance technical, managerial, and financial capacity. Important to the technical capacity will be enhancing alternatives analysis to expand "green infrastructure" options and their multiple benefits. Future year budgets for the SRFs gradually adjust, taking into account repayments, through 2016 with the goal of providing, on average, about 5 percent of water infrastructure spending annually. When coupled with increasing repayments from loans made in past years by States the annual funding will allow the SRFs to finance a significant percentage in clean water and drinking water infrastructure. Federal dollars provided through the SRFs will act as a catalyst for efficient system-wide planning and ongoing management of sustainable water infrastructure. Overall, the Administration requests a combined $2.5 billion for the SRFs.

Opening Markets Abroad and Keeping America Safe

To thrive in the interdependent, global economy, we must manufacture the goods and provide the services that the world needs—and have the ability to export them to consumers all over the globe. Doing that will take a concerted effort to promote American exports and remove barriers that prevent American businesses from selling their products and services in growing markets. It will require working in concert with other leading economies to make sure that rules of the road are being laid down and enforced and that we are collaborating with our partner nations to keep the global economy growing.

It also will take security and stability in regions throughout the world. Just as modern technology makes it possible for commerce to happen across the planet, it also makes it possible for remote threats—such as terrorism, pandemics, and failed states—to affect us at home. That is why it is imperative that we continue to strengthen our alliances and America's standing in the world. American leadership is indispensable in marshalling the world against many of our shared threats, such as stopping the spread of nuclear weapons; disrupting, dismantling, and defeating al Qaeda; halting global warming; and improving the health of the world's poorest populations and the health systems of the nations where they live. The Budget is committed to keeping America engaged in the world to keep our people safe and our economy strong. The Administration proposes to:

Double American Exports by 2014. The President, in 2009, set the goal of doubling American exports over five years. To that end, the Administration will work to pass the U.S.-Korea Free Trade Agreement, which will open up the market of the twelfth-largest economy to U.S. goods and services and support thousands of jobs. The Budget proposes $526 million for the International Trade Administration (ITA) to continue implementation of the National Export Initiative, a broad Federal strategy to increase American exports and export-related jobs. With this funding, ITA can strengthen its efforts to promote exports from small businesses; help enforce international free trade agreements; fight to eliminate barriers to sales of U.S. products; and improve the competitiveness of U.S. firms. The Budget also supports the activities of the Export-Import Bank to strengthen its efforts to promote small business exports and to meet increased financing demands at no cost to the taxpayer. This will support billions of dollars in new exports and hundreds of thousands of U.S. jobs. The Administration also supports U.S. Trade and Development Agency activities to promote U.S. exports for priority development projects in emerging economies.

Create a Unified Approach to Budgeting Operations in Iraq, Afghanistan, and Pakistan. In the past, war funding was done through supplemental appropriations measures, which obfuscated the true cost of these operations. This Administration has consistently included the extraordinary costs associated with funding military operations in Iraq and Afghanistan through a separate Overseas Contingency Operations (OCO) budget request for the Department of Defense (DOD), thus making it transparent and clear what these operations cost and their impact on our fiscal situation. In this Budget, the Administration proposes to apply this approach to both military and civilian efforts in these countries, to reflect the role that non-Defense agencies play in our operations and specifically to reflect the transition from military to civilian-led missions in Iraq. Indeed, this makes it easier to see when costs increase as the situation warrants and when costs decrease as these operations wind down. In turn, this transparency helps with fiscal discipline as it ensures that extraordinary funding does not permanently become part of an agency's base budget. Specifically, certain temporary and extraordinary Department of State and U.S. Agency for International Development (USAID) diplomatic, development, and related assistance in Iraq, Afghanistan, and Pakistan will be requested as OCO funding and be similarly funded. An OCO budget is of great help as we transition from military-led to civilian-led operations since it provides a mechanism through which we can view and budget for a transition to a more normal diplomatic presence in these countries when appropriate. In the Budget, overall OCO spending goes down in 2012, with the defense drawdown in Iraq significantly larger than civilian increase. Specifically, DOD has an OCO decrease of $41 billion, and the Department of State and USAID have increases of $3 billion. Overall, OCO funding is $126 billion, $38 billion less than requested for 2011.

Fund the Transition to a Civilian-led Mission in Iraq and Begin the Drawdown in Afghanistan. On August 31, 2010, combat operations in Iraq officially ended. To support the U.S. transition from a military to a civilian-led mission in Iraq, the Budget helps Iraq develop its energy sector so that it can support itself in due time, funds a more intense diplomatic presence to triage flashpoints; and supports efforts to help Iraq build its civilian and military capabilities. Specifically, the Budget includes funding for: the drawdown of all U.S. troops in Iraq by December 31, 2011 and transfer of over 500 bases back to the government of Iraq; the establishment of two additional regional consulates and two Embassy Branch Offices; the transfer of more than 400 essential activities from DOD to the State Department; and the establishment of police and criminal justice hub facilities and security cooperation sites to continue enhancing security forces and ministry capabilities. In Afghanistan, the Budget supports operations necessary to fulfill our mission with funding for: force protection; reconstitution of damaged equipment; intelligence activities; and training, equipping, and sustaining the Afghan Army and police. Funding to build Afghan capacity is key to the planned drawdown of U.S. forces in Afghanistan beginning in the summer of 2011.

Pursue Efficiencies, Reduce the Growth in Military Spending, and Maintain Military Readiness. Although security spending cannot be frozen while the country is engaged in Afghanistan and Iraq, all parts of Government must share in the sacrifices needed to put the country on the sustainable fiscal path that is critical to our global competitiveness. The Department of Defense is pursuing a variety of strategies to set a course for zero real growth in defense spending, and saving $78 billion in its base budget as compared to the 2011 estimate for the next half decade. This will reduce DOD spending by $13 billion in 2012. To accomplish this, Secretary Gates is implementing a package of terminations, consolidations, and efficiencies that range from the elimination of the Marine Corps Expeditionary Fighting Vehicle to the consolidation of two Air Force air operations centers in the United States and two in Europe and reducing the number of flag officers by more than 100. These savings are a critical component of our long-term plans as the projected savings—where they materialize—will be used to fund efforts to combat higher priority national security concerns such as cybersecurity, satellites and satellite launch vehicles, and nuclear security.

Reform Defense Department Contracting. DOD contracts account for approximately 70 percent of all Federal procurement spending, making DOD reform initiatives critical to broader efforts to improve Government-wide purchasing so that we get better services and goods at lower prices for taxpayers. Building on efforts begun in 2010, DOD will continue to improve its acquisition policy, reduce its use of high-risk contracts, such as those awarded without competition and those priced on a time-and-materials basis, and eliminate or reconfigure lower-priority acquisitions.

Make Foreign Affairs Operations More Efficient and Effective. Although foreign affairs funding is not part of the freeze on non-security discretionary spending, it is critical that these funds are used in a way that maximizes the impact of every dollar and that assures funds are not wasted on the unnecessary. The State Department budget reflects a program-by-program review that identified reductions and focused resources on high priority areas. For instance, entire bilateral programs in six countries have been eliminated and the Assistance for Europe, Eurasia and Central Asia account has been reduced by $115 million in order to focus funding on regions with the greatest assistance needs. Similarly, several countries will no longer receive bilateral security assistance funding, as resources are being focused on countries with strategic significance. The African Development and Inter-American Foundations have been cut by 20 percent and directed to reduce their overhead and seek partnerships to leverage their remaining funds. The State Department will use information technology to achieve efficiencies and save approximately $15 million in 2012, including eliminating duplication of data center services and infrastructure to control energy use and facility costs, phasing out legacy messaging systems, and implementing the more efficient Global Foreign Affairs Compensation System (GFACS). USAID has launched a far-reaching initiative to improve overseas acquisitions and contracting processes through procurement reform which will lead to more effective partnerships with host country governments and other donors. And within the Global Health Initiative, the costs of commodities and service delivery continue to fall dramatically; notably, the per patient cost to the United States of providing anti-retroviral treatment for AIDS patients has fallen by over 50 percent since 2008 due to increased use of generic drugs, task-shifting to nurses and community health workers as appropriate, and increased involvement from and improved coordination with partner governments.

Modernize the Nation's Nuclear Weapons Arsenal, Reduce Proliferation Risks, and Maintain a Strong Strategic Deterrent. The Administration remains dedicated to modernizing America's nuclear arsenal and the complex that sustains it as well as sustaining and modernizing U.S. strategic delivery systems. The Administration proposes $11.8 billion for the National Nuclear Security Administration (NNSA). This investment includes $7.6 billion, to maintain a safe, secure, and effective nuclear arsenal by improving and replacing aging facilities and infrastructure, continuing nuclear weapon life extension programs, and sustaining stockpile surveillance and certification activities. The Administration funds $2.5 billion to prevent the proliferation of nuclear weapons by fully funding efforts to secure and dispose of nuclear material, develop technologies to detect and deter nuclear testing and smuggling, and support international nonproliferation treaties, regulatory controls, and safeguards. The Administration also proposes $1.2 billion for naval reactors, to include construction of new reactor fuel handling infrastructure and continued reactor development for a new ballistic missile submarine to sustain a robust nuclear deterrent. Finally, reflecting their close partnership and shared commitment, a portion of 2013-16 funding for weapons activities will be included in the Defense Department's budget, with allocations being made to the NNSA each budget year.

Prepare for Emerging Threats Including Cyber-Attacks. There are a range of emerging threats for which our military must be prepared: from chemical and biological weapons to cyber-attacks on the information technology networks that are integral to the running of our economy and our society. The Budget invests in a host of initiatives to improve our ability to protect the United States from these emerging threats. These include: full funding of $31.8 million for the reorganized chemical, biological, radiological, nuclear and high-yield explosive consequence management structure, which will be in place prior to the end of 2012; $665 million to enhance the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats; $200 million for a public-private partnership of a vaccine manufacturing facility in support of the Administration's new Medical Counter Measure Initiative; $138 million to continue building DOD's Institute of Infectious Disease at the new Interagency Biodefense Campus; $97 million to improve the security of online transactions, enhance cybersecurity education efforts, increase cutting-edge cybersecurity R&D, and improve network security at small Federal agencies; and funding to support the full operational capability of the new U.S. Cyber Command and other programs to protect our information networks. Moreover, the Administration proposes $459 million to support the operations of the National Cyber Security Division of the Department of Homeland Security, which will strengthen the defense of Federal civilian networks and help to support private-sector capabilities as well.

Address Root Causes of Conflict and Security Threats. In our increasingly interdependent world, failed states or regional conflicts can quickly have effects all over the world. Intense poverty, pandemics, and food insecurity all can contribute to political instability and eventually conflict. Alleviating these conditions is the right thing to do, and it is also the smart thing to do as attacking these root causes of suffering can prevent future security threats. To that end, the Budget funds:

- *The Global Health Initiative.* The President's Global Health Initiative (GHI) will save millions of lives while fostering sustainable health care delivery platforms through increased investments in global health. This approach will achieve ambitious health outcome targets by focusing on country-led strategies to address the full range of developing country health needs in an integrated way while strengthening partner-country health systems. The GHI supports innovation by investing in promising technologies and bringing potential advances to scale. Overall, the Administration will invest $9.8 billion in the GHI in 2012 and continues to pursue the ambitious health outcome targets laid out in the GHI strategy document as well as efficiencies in program delivery.

- *Feed the Future.* The Administration includes funding for agriculture development and international nutrition programs as part of a multi-year plan—as well as a G-20 commitment—to lift a significant number of people out of poverty and reduce malnutrition for millions of children under five-years-old by 2015. The Administration provides funding through bilateral assistance and a multi-donor facility administered by the World Bank for poor countries that make policy and financial commitments to address their internal food security needs. The Administration also maintains strong support for food aid and other humanitarian assistance, including $4.2 billion to help internally displaced persons, refugees, and victims of armed conflict and natural disasters.

Foster the Creation of an Advanced, Interoperable Communications System for First Responders. Today's public safety agencies largely lack access to the level of wireless capabilities used by the military and large commercial enterprises. Federal, State and local public safety agencies largely rely on their legacy land mobile radio systems, which only provide voice communications and are often not interoperable with other local and regional systems. This fragmented system of voice only communications has left public safety organizations with 1990's technology to face the problems of a 21st Century world. To support the creation of an interoperable, 4G wireless network for public safety, the Administration is calling for a total of $10.6 billion toward this effort derived from the sale and reallocation of spectrum. Specifically, the Budget proposes to reallocate "D Block" spectrum valued at over $3.1 billion (which will be reserved for public safety and not auctioned as called for under existing law), $7 billion to support the deployment of this network, and $500 million to fund R&D and support for standards and technologies to ensure the network capabilities meet the mission requirements of public safety.

Safeguard the Nation's Air Transportation System. The Administration proposes $54 million to support the deployment of up to 1,275 new Advanced Imaging Technology (AIT) screening machines at airport checkpoints by the end of 2012. AIT machines allow security officers to detect both metallic and non-metallic anomalies such as weapons and explosives on persons entering an airport's secure area. These machines will be used with stringent privacy measures including maintaining anonymity between those being screened and those viewing the image, and the inability to store or transmit images captured by AIT. To improve the operation of Transportation Security Administration processes and systems and reduce redundancy, the Administration proposes $58 million for the continued modernization and streamlining of transportation security vetting and credentialing.

Strengthen Border Security and Immigration Verification and Integration Programs. The Budget includes funding to support 21,370 Border Patrol agents and funding for 300 new Customs and Border Protection Officers for passenger and cargo screening at ports of entry as well as expansion of pre-screening operations at foreign airports and land ports of entry. This enhancement will reduce wait times and increase seizures of unlawful items. In addition, the

Budget proposes $132 million to enhance and expand immigration-related verification programs at U.S. Citizenship and Immigration Services. Through E-Verify, U.S. employers can maintain a legal workforce by verifying the employment eligibility of their workers, while the Systematic Alien Verification for Entitlements (SAVE) program assists Federal, State, and local benefit-granting agencies with determining eligibility for benefits by verifying immigration status. These programs promote compliance with immigration laws and prevent individuals from obtaining benefits they are not eligible to receive. The Administration also increases support for integration of new immigrants, proposing $20 million to promote citizenship through education and preparation programs, replication of promising practices in integration for use by communities across the Nation, and expansion of innovative English learning tools.

Support the Nation's Troops and Their Families. The men and women of our armed forces rely on the families that support them in their service. To support them as they answer their call to service, the Budget provides $8.3 billion to support military families, including $1.2 billion to expand availability of affordable, high-quality child care; $4.7 billion to improve servicemembers' quality of life; and $2.4 billion to support and build DOD schools, supporting quality education for military dependents. In addition, the Budget shifts $73 million from the OCO budget to the base Department of Defense budget. This is a more honest budgeting approach and will bring more transparency about long-term needs, which will help ensure stability and adequate resources for important family support programs over the long-term. For the Coast Guard, the Budget provides investments in Coast Guard-owned family housing developments to provide suitable and affordable housing for Coast Guard members and their families assigned to areas where there are documented shortages. The President has also directed his Cabinet to make military families a top priority, ensuring the entire Federal Government supports military families, encouraging greater collaboration between agencies, and reducing unnecessary duplication of programs and services.

Care for Wounded, Ill, and Injured Servicemembers. To provide high-quality medical care to the more than 9.6 million servicemembers, retirees, and their families, the Budget includes funding for a variety of programs. The request includes support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers, including: $32.2 billion overall for medical care; $677 million to provide care for traumatic brain injury (TBI) and psychological health; and $415 million for continued support of wounded, ill, and injured medical research, including psychological health and TBI/Post Traumatic Stress Disorder. To ensure beneficiaries receive treatment in state-of-the-art hospitals and clinics, the Budget plans for completion of the Walter Reed National Military Medical Center, and funds construction of the Fort Bliss hospital replacement, and ambulatory care centers at Andrews Air Force Base and Lackland Air Force Base.

Prioritize Specialized Care for Veterans with Psychological and Cognitive Health Needs. The President's Budget includes $6 billion to enhance the Department of Veterans Affairs (VA's) ability to provide the best possible specialized care for post-traumatic stress, traumatic brain injury, and other mental health needs. The Budget makes possible collaborative programs between the Department of Defense and VA that target psychological health, research new evidence-based approaches, and increase outreach to veterans. Those programs will increase our ability to care for the psychological and cognitive conditions that will continue to impact our veteran population for many years to come.

Continue Efforts to End Veteran Homelessness by 2015. The President's Budget invests $939 million to continue the expansion of VA services for homeless and at-risk veterans. These funds will move us toward the goal of ending veteran homelessness by 2015. Facilitating this will be collaborative partnerships with local governments, non-profit organizations, and the Departments of Housing and Urban Development, Justice, and Labor.

Begin Implementation of a New Paperless System to Boost Efficiency and Responsiveness at the Department of Veterans Affairs. We have been caring for veterans of our Nation's wars for centuries. But this long-held commitment cannot rely on outdated processes and technology to deliver the benefits veterans need and the Nation needs. That is why the Budget provides $183 million for the implementation of a new paperless claims processing system. These funds will allow the VA to move away from its reliance on paper records, thereby improving the speed and efficiency of claims processing while simultaneously enhancing the security of veterans' personal information.

DEPARTMENT OF AGRICULTURE

Funding Highlights:

- Provides $23.9 billion in discretionary funding, a decrease of $3.2 billion. Consistent with Administration priorities, investments are made in renewable energy and key research areas. Savings are created by reducing direct payments to high-income farmers, refocusing USDA's homeownership programs, and targeting USDA conservation programs.
- Invests $6.5 billion in renewable and clean energy to spur the creation of high-value jobs, make America more energy independent, and drive global competitiveness in the sector.
- Increases funding for the Agriculture and Food Research Initiative to $325 million and targets increases for research in areas that are key to American leadership: human nutrition and obesity reduction, food safety, sustainable bioenergy, global food security, and climate change.
- Refocuses rural housing assistance to programs that work better, providing 170,000 new homeownership opportunities, of which at least 30,000 are expected to go to low income rural borrowers.
- Maximizes efficiency and effectiveness of forest restoration efforts to improve forest health and resiliency by combining and streamlining multiple programs.
- Funds for the Wetlands Reserve Program and the Environmental Quality Incentives Program to restore and protect 271,158 acres of wetlands and provide over $1.4 billion for conservation assistance.
- Provides $7.4 billion to support supplemental nutrition assistance available to low-income and nutritionally at-risk pregnant and post-partum women, infants and children up to age 5.
- Provides $35 million for the Healthy Food Financing Initiative to bring grocery stores and other healthy food retailers to underserved communities.

The U.S. Department of Agriculture (USDA) provides leadership on issues related to food, agriculture, and natural resources based on sound public policy, the best available science, and efficient management. USDA focuses on further developing alternative markets for agricultural products and activities, providing financing needed to help expand job opportunities and improve housing, utilities, and infrastructure in rural America. The Department also works to enhance food safety by taking steps to reduce the prevalence of food-borne hazards from farm to table, improve nutrition and health by providing food assistance and nutrition education and promotion, support international agricultural and economic development, and manage and protect America's public and private lands by working cooperatively with other levels of government and the private sector. The President's Budget provides $23.9 billion to support this important mission, a decrease of $3.2 billion. In keeping with the Administration's cost-cutting goals, departmental funding focuses on renewable energy development and innovation research. Savings are created by reducing direct payments to high-income farmers, refocusing USDA's home ownership programs, and targeting USDA conservation programs to high priority ecosystems.

Invests in American Competitiveness

Funds Renewable and Clean Energy. The clean energy economy is poised to convert a fossil fuel-based industry to a sustainable system, creating high-value jobs in rural America. The Administration proposes $6.5 billion in financial assistance to electric cooperatives, research institutes, and small businesses to promote the expansion of renewable energy and biofuels. Of this amount, $6 billion will be targeted to decrease the Nation's reliance on fossil fuels and promote renewable and clean energy at electric generation, transmission, and distribution sites in rural communities. The President's Budget proposes a program level of approximately $400 million to support biofuels.

Supports American Innovation by Advancing Priority Research. The Administration provides increases for select USDA research in human nutrition and obesity reduction, food safety, sustainable bioenergy, global food security, and climate change, and also fully funds the Census of Agriculture while maintaining fiscal discipline by cutting lower priority projects and activities. The Administration increases funding to $325 million for the Agriculture and Food Research Initiative; an increase of 24 percent since 2010. To support these priorities, the Administration proposes to eliminate funding for all research grant earmarks and cancel $224 million in unobligated balances for research construction projects, resulting in current savings and significant future cost avoidance.

Improves the Way Federal Dollars are Spent

Redirects Aid to Needy Rural Americans. Agriculture, when compared to other sectors of the economy, has weathered these tough economic times relatively well. For instance, net farm income is forecast to be $79 billion in 2010, an increase of $16.8 billion—or 27 percent—from 2009, and the third largest level of income earned in the history of U.S. farming. Further, the top five years for farm earnings have occurred since 2004, attesting to the profitability of farming this decade. Finally, in every year since 1996, average income of farm households has exceeded average U.S. non-farm household income. However, the economic situation in some non-farm rural communities is very different. Over a third of non-metropolitan counties lost at least 10 percent of their population from 1988 to 2008. Population loss tends to reduce property values, increase tax burdens, reduce the supply and demand for local goods and services, and result in the loss of young, highly-skilled workers. Given the unique needs of rural farm and non-farm communities, the President's Budget proposes to refocus and reprioritize assistance to rural America to more appropriately address these needs.

Decreases Long-Term Agricultural Spending. The Budget includes a decrease in agricultural spending of $2.5 billion over 10 years. The Administration proposes that farm policy target payments to only those who really need them. The savings would be generated by reducing payments to wealthy farmers.

Refocuses Rural Housing Assistance to Programs that Work Better. The Administration proposes to refocus USDA's single-family housing assistance programs to improve effectiveness. USDA has effectively used the guaranteed single-family housing loan program to provide homeownership assistance to low to moderate income rural borrowers. The Administration proposes to provide single family housing mortgage assistance primarily through the guaranteed program and includes a $24 billion loan level with roughly $4 billion in loans expected to be made to low-income rural borrowers. Overall, this loan level is expected to provide as many as 170,000 new homeownership opportunities for rural Americans.

Maximizes the Impact of Forest Restoration Resources by Consolidating Programs. To maximize the Forest Service's ability to address changing needs and manage diverse forest landscapes, the Administration supports a holistic approach to restoration and maintenance of sustainable landscapes. By merging multiple programs, the Forest Service can increase its ability to restore forest resiliency and health while supporting sustainable economic development. This streamlined approach will also improve forest management efficiency.

Targets Conservation Funding for High-Priority Ecosystems. The Administration supports a robust conservation agenda to advance resource protection goals by strategically targeting funding to high-priority regional ecosystems and initiatives. Included in the proposal are the highest funding levels ever for the Wetlands Reserve Program and the Environmental Quality Incentives Program, which will allow for the restoration and protection of nearly 271,158 additional acres of wetlands and provide over $1.4 billion for conservation assistance, respectively. The Administration also fully funds the Conservation Reserve Program, maintaining the program's enrollment at 32 million acres. Additionally, the Administration provides funding across a range of conservation programs to support the installation of high-impact targeted conservation practices designed to improve water quality on 6 million acres within regional ecosystems such as the Chesapeake Bay, the Bay-Delta region in California, and the Upper Mississippi River Basin. These efforts reflect a broad partnership among Federal agencies, State and local governments, Tribes, industry and agriculture to advance water policy goals.

Increases America's Healthy Food Choices

Strengthens Nutrition Assistance and Promotes Healthy Eating. America cannot be globally competitive if too many of its people are hungry or ill because of lack of access to healthy foods. At a time of abiding need, the President's Budget provides $7.9 billion for discretionary nutrition program support. Funding supports 9.6 million participants in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program, which is critical to the health of pregnant women, new mothers, and their infants. The Administration supports implementation of the Healthy, Hunger-Free Kids Act of 2010, strengthening the child nutrition programs and increasing children's access to healthy meals and snacks. As the Supplemental Nutrition Assistance Program (SNAP) continues to serve an unprecedented number of participants, the Administration re-proposes to temporarily suspend the time benefit limits for certain working-age, low-income adults without dependents for an additional fiscal year. This proposal helps remove access barriers to SNAP and increase food purchasing power among some of the hardest-to-reach populations. The Budget also proposes to restore the SNAP benefit cuts that were included in Child Nutrition Reauthorization. SNAP is the cornerstone of our Nation's food assistance safety net and touches the lives of more than 43 million people. The Administration is committed to meeting the continued needs of its beneficiaries by serving all eligible participants to reduce food insecurity.

Supports Efforts to Combat Food Deserts. The Administration supports expanding access to healthy foods for low-income Americans in rural and urban food deserts by providing $35 million in the Office of the Secretary. In addition, other funds of Rural Development and the Agricultural Marketing Service will be available to support USDA's portion of the Healthy Food Financing Initiative. The funding will provide grants, loans, loan guarantees, and other assistance to expand retail outlets for farm products in food deserts.

Works with Congress on the Next Farm Bill. The Administration is committed to working with the Congress as it develops legislation to reauthorize the 2008 Farm Bill to simplify programs, improve access, target payments, and enhance program performance and efficiency. These measures should strengthen rural communities and economies, improve access to healthy foods, support key conservation goals, and maintain U.S. farmers and ranchers competitiveness as they produce our food, feed, fiber, and fuel. As part of this collaboration, USDA will also work with the Congress to improve access to SNAP benefits, program operations, and program integrity.

Department of Agriculture
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Commodities and International	4,395		4,045
Rural Development	2,973		2,443
Forest Service	5,313		5,137
Conservation	1,010		887
Food and Nutrition Service	7,827		7,879
Research	2,846		2,374
Marketing and Regulatory Programs	2,103		1,992
Central Administration	627		642
Subtotal, excluding items below	27,094	26,396	25,399
Receipts	–62	–107	–139
Mandatory savings proposals	—	–588	–1,381
Total, Discretionary budget authority	27,032	25,701	23,879
Memorandum:			
Legislative proposal, Secure Rural Schools	—	—	*328*
Total, Discretionary outlays	26,376	32,042	27,580
Mandatory Outlays:			
Food and Nutrition Service	86,734	96,757	99,057
Commodity Credit Corporation	12,526	13,528	10,780
Crop Insurance	4,706	6,989	3,174
Natural Resources Conservation Service	1,947	2,655	3,259
Agricultural Marketing Service	1,255	1,299	1,303
Forest Service	779	783	702
Rural Development including liquidating accounts	–2,718	–257	–1,309
Receipts, reestimates and all other programs	–2,140	–1,706	–532
Total, Mandatory outlays	103,089	120,048	116,434
Total, Outlays	129,465	152,090	144,014

Department of Agriculture—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Credit activity			
Direct Loan Disbursements:			
Farm Loans	2,102	1,975	1,904
Commodity Credit Corporation	7,190	7,015	7,884
Rural Utilities Service	6,369	8,220	8,810
Rural Housing Service	2,663	2,086	1,437
Rural Business Service	—	13	19
P.L. 480	62	—	—
All other programs	30	90	79
Total, Direct loan disbursements	18,416	19,399	20,133
Guaranteed Loan Disbursements:			
Farm Loans	3,117	3,271	3,097
Commodity Credit Corporation	2,539	5,500	5,500
Rural Utilities Service	—	2	1
Rural Housing Service	18,711	20,231	24,395
Rural Business Service	2,165	2,241	1,937
All other programs	1	19	21
Total, Guaranteed loan disbursements	26,533	31,264	34,951

DEPARTMENT OF COMMERCE

Funding Highlights:

- Provides $8.8 billion in discretionary spending, a decrease of $5.1 billion from the 2010 enacted level. This reflects increased funding for the National Institute of Standards and Technology and continued strong support for the promotion of U.S. exports. Reductions are made to lower priority and low-performing programs.
- Invests in American innovation by providing $764 million for the National Institute of Standards and Technology laboratories, $75 million for the Technology Innovation Program, and $12 million for Advanced Manufacturing Technology Consortia, and by strengthening the fee structure at the U.S. Patent and Trademark Office and reforming the patent process.
- Enhances American manufacturers' competitiveness by providing $143 million to the Hollings Manufacturing Extension Partnership, which helps firms identify growth strategies and adopt more efficient manufacturing processes.
- Promotes American exports and export-related jobs by providing $526 million for the International Trade Administration as it continues to implement the National Export Initiative.
- Fosters the next generation of wireless broadband by supporting efforts to make 500 megahertz of additional spectrum commercially available, providing substantial benefit to consumers and businesses across the Nation.
- Provides over $10 billion of resources in mandatory spending, offset by spectrum auction proceeds, to help build an interoperable public safety broadband network that will strengthen economic growth and public safety, while benefitting from commercial innovation.
- Invests in regional economic competitiveness by providing $325 million to the Economic Development Administration to support planning, capacity building and capital projects through programs such as the Regional Innovation Program authorized in the America COMPETES Reauthorization Act.
- Advances climate science and services to meet growing demands from the public and private sector for credible and timely products that aid in planning for and responding to climate variability and change.
- Sustains critical satellite programs to monitor the Earth's weather and climate and improve forecasting for severe weather events to protect public safety. Supports fisheries stock assessments and economic development that contributes to sustainable fishing industries and coastal communities. Sustains support for the President's National Ocean Policy and research programs.

- Strengthens support for the Census Bureau's economic and household data collection to help improve private- and public-sector decision-making.
- Creates savings by ramping down the 2010 Decennial Census.
- Reduces funding for non-essential programs such as the Emergency Steel Loan Guarantee program, the Public Telecommunications Facilities Grant program, and the Baldrige Performance Excellence program.

The Department of Commerce has a broad mandate to promote economic growth and foster job creation for the American people. It has cross-cutting responsibilities in the areas of trade, technology, entrepreneurship, economic development, environmental stewardship, and statistical research and analysis. To support this important work, the President's Budget proposes $8.8 billion in discretionary funding for the Department of Commerce, a decrease of $5.1 billion from the 2010 enacted level. In addition to planned reductions due to the completion of the 2010 Decennial Census, other key reductions include outdated or lower priority programs: the Emergency Steel Loan Guarantee program; Trade Adjustment Assistance for Firms; certain statistical reports produced by the Census Bureau; the Public Telecommunications Facilities Grant program; and the Baldrige Performance Excellence program, as well as administrative savings. Yet, since innovation and exports are critical to long-term economic growth and competitiveness, there is more than a $100 million increase for the National Institute of Standards and Technology (NIST), and strong funding for the promotion of U.S. exports. Substantial new mandatory funding is provided to support the President's Wireless Innovation and Infrastructure Initiative, including development of a national public safety broadband network. The National Oceanic and Atmospheric Administration's (NOAA) critical weather satellites, which promote more accurate forecasts that serve families and businesses nationwide, are also sustained.

Boosts American Competitiveness

Fosters American Innovation. The Administration proposes $764 million for NIST laboratories as part of the President's Plan for Science and Innovation, which is more than $100 million above the 2010 enacted level and consistent with the President's plan to double funding for key basic research agencies. This funding will accelerate the discovery, development and deployment of a wide variety of new technologies, ranging from nanotechnology and cybersecurity advances to interoperable and secure Smart Grid devices. The Budget also includes $12 million for the Advanced Technology Consortia program, a new public-private partnership that will develop road maps for research that will broadly benefit the Nation's industrial base. In addition, the Administration proposes to reform the patent system to accelerate innovation and provide greater certainty to businesses. The Budget proposes to give the U.S. Patent and Trademark Office (USPTO) full access to its fee collections and strengthens USPTO's efforts to improve the speed and quality of patent examinations through a temporary fee surcharge that will better align application fees with processing costs.

Enhances the Competitiveness of American Manufacturers. The Administration proposes $143 million for the Hollings Manufacturing Extension Partnership, which helps U.S. manufacturers identify growth and innovation strategies and adopt more efficient manufacturing processes. In combination with advanced manufacturing support from NIST, the Budget will improve U.S. manufacturers' ability to compete globally.

Promotes American Exports. The President has set the goal of doubling American exports over five years. To that end, the Administration proposes $526 million for the International Trade Administration (ITA) to continue implementation of the National Export Initiative, a broader Federal strategy to increase American exports and export-related jobs. With this funding, ITA can strengthen its efforts to promote exports from small businesses; help enforce international free trade agreements; fight to eliminate barriers to sales of U.S. products; and improve the competitiveness of U.S. firms.

Invests Spectrum Receipts to Build a Public Safety Broadband Network, Expand Wireless Broadband to Rural America, and Promote Cutting-edge Wireless Technologies. In support of the Wireless Innovation and Infrastructure Initiative, the Budget proposes $7 billion of mandatory funding over the next several years to help build an interoperable public safety broadband network and provides additional spectrum (the "D block" of spectrum in the 700 megahertz band) for public safety use. This spectrum is currently valued at $3.2 billion, making the total commitment for the public safety network over $10 billion. Building upon the recommendations of the National Commission on Terrorist Attacks Upon the United States, this effort will enhance public safety by providing the Nation's first responders modern and efficient communications capabilities while allowing the network to benefit from commercial innovation. In addition to funding provided directly to the Department of Commerce, the President's Budget will provide $5 billion to help expand next generation wireless broadband networks in rural America. This investment will complement the Federal Communications Commission's efforts to reorient its Universal Service Fund towards broadband support. Finally, the President's Budget allocates $3 billion of spectrum receipts to a Wireless Innovation Fund, to help develop and promote cutting-edge wireless technologies to advance public safety, Smart Grid, telemedicine, distance learning, and other broadband capabilities and to facilitate spectrum relocation. This funding will support efforts in a variety of agencies, including the Departments of Defense and Commerce and the National Science Foundation.

The President's Wireless Innovation and Infrastructure Initiative also proposes to reallocate Federal agency and commercial spectrum bands using auctions that are expected to raise more than $27 billion over the next 10 years, in order to expand access to wireless broadband nationwide. Up to 500 megahertz of spectrum will be repurposed over the coming decade, which will greatly facilitate access for smart phones, portable computers, and innovative technologies that are on and over the horizon.

Enhances Regional Economic Competitiveness. Competitive regional economies are the building blocks of national growth. The Administration supports growth strategies based on stronger regional clusters of economic activity, better planning, commercialization of research and development, and catalytic capital projects through the $325 million provided for the Economic Development Administration (EDA). This includes funds to implement the recently enacted America COMPETES Reauthorization Act, including aid to businesses and regions through the Regional Innovation Program and financing for science and research parks. EDA will also support the Administration's proposal to make competitive awards for Growth Zones, to bring market-based growth strategies and tax benefits to 20 new areas facing economic distress in urban and rural regions that have both strong potential for growth and significant need.

Improves Weather Forecasting, Climate Monitoring, Fisheries Management, and Ocean Programs. NOAA satellite coverage continuity is needed for monitoring weather and climate. To support this, the Budget provides $1.9 billion to fund the development and acquisition of NOAA's polar-orbiting and geostationary weather satellite systems, satellite-borne measurements of sea level and other climate variables, and other space-based observations. The Administration also increases the number and frequency of fisheries stock assessments which will help optimize the amount of sustainable fish harvests under legal mandates to help prevent overfishing. The Budget continues progress on the President's National Ocean Policy with funding for competitive grants in support of regional ocean partnerships for improved coastal zone management, as well as support for research on climate change and ocean acidification. Oil spill response is also a priority, and the Budget increases funding for the Integrated Ocean Observing System, mussel monitoring, and research to improve spill impact assessments. As part of its responsibilities for forecasting weather and climate, and supporting healthy coastal ecosystems, NOAA will participate in Federal, State, and local efforts to protect and restore our water resources.

Strengthens Key Statistical Programs. The Administration proposes $1 billion for the Census Bureau to complete tabulation of the 2010 Census data; improve the accuracy of the American Community Survey; and support a continuous update process of the Census Bureau's geospatial and address data, which is expected to produce long-run cost savings. These initiatives will provide more accurate data for decision-makers at all levels of government and in the private sector. Funds are also provided to begin research that will lead to the development of a cost-effective and accurate 2020 Census. The Administration proposes additional funding for the Bureau of Economic Analysis to enhance the reliability of sensitive key economic data, including the Gross Domestic Product. These measures will provide policymakers and the public more timely, detailed, and robust data on the state of the business and household sectors of the economy.

Improves the Way Taxpayer Dollars are Spent

Cuts Waste by Terminating Non-Essential Programs. The Department of Commerce supports a wide variety of programs aimed at spurring growth and competitiveness. As our economy evolves, so must these programs. The Budget proposes to reduce or eliminate funding for programs that are no longer necessary, such as the Emergency Steel Loan Guarantee program, or programs that are a lower priority in a difficult fiscal climate, including certain statistical reports produced by the Census Bureau, the Public Telecommunications Facilities Grant program, and the Baldrige Performance Excellence program. The Department has also committed to trimming its administrative costs by at least $136 million through efficiencies in acquisitions, human capital, logistics, general administration, and information technology.

Department of Commerce
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Departmental Management			
Salaries and Expenses	59		65
Steel Loan Program	—		–43
Cybersecurity	—		23
HCHB Renovation	23		16
Office of the Inspector General	27		34
Subtotal, Departmental Management	109		95
Economic Development Administration (EDA)			
Salaries and Expenses	38		41
Economic Development Assistance Programs	255		284
Subtotal, Economic Development Administration	293		325
Bureau of the Census			
Salaries and Expenses	259		272
Periodic Censuses and Programs	6,966		753
Decennial Census (non-add)	*6,751*		*498*
Subtotal, Bureau of the Census	7,225		1,025
Economics and Statistics Administration	97		113
International Trade Administration (net)	447		517
Bureau of Industry and Security	100		111
Minority Business Development Agency	32		32
National Oceanic and Atmospheric Administration			
Operations, Research and Facilities	3,412		3,444
Procurement, Acquisition and Construction	1,360		2,053
Other Accounts	81		1
Subtotal, National Oceanic and Atmospheric Administration	4,853		5,498
Patent and Trademark Office			
Program level	1,887		2,706
Fees	–2,068		–2,706
Subtotal, Patent and Trademark Office	–181		—
National Institute of Standards and Technology (NIST)			
Scientific and Technical Research Services	521		681
Industrial Technology Services	195		238
Technology Innovation Program (non-add)	*70*		*75*
Manufacturing Extension Partnership (non-add)	*125*		*143*
Construction of Research Facilities	147		85
Subtotal, National Institute of Standards and Technology	863		1,004

Department of Commerce—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
National Telecommunications and Information Administration (NTIA)			
Salaries and Expenses	20		56
Public Telecomm. and Facilities Planning and Construction	20		—
Subtotal, National Telecommunications and Information Administration	40		56
All other	–6		–10
Total, Discretionary budget authority	13,872	9,003	8,766
Memorandum:			
Budget authority from supplementals	*79*	—	—
Total, Discretionary outlays	13,132	11,295	11,267
Mandatory Outlays:			
Digital Television Transition and Public Safety Fund	31	390	255
Wireless Innovation and Infrastructure Initiative (DOC portions):			
Legislative proposal	—	—	1,447
Public Safety Broadband Network (NTIA)(non-add)	—	—	*1,400*
Wireless Innovation Fund:			
Public Safety Innovation Fund (NIST) (non-add)	—	—	*27*
Economic Development Assistance Programs (EDA) (non-add)	—	—	*20*
All other DOC mandatory programs	84	200	173
Total, Mandatory outlays	115	590	1,875
Total, Outlays	13,247	11,885	13,142
Credit activity			
Direct Loan Disbursements:			
Fisheries Finance Direct Loan Financing account	90	45	52
Total, Direct loan disbursements	90	45	52
Guaranteed Loan Disbursements:			
Economic Development Assistance Programs account	—	—	45
Total, Guaranteed loan disbursements	—	—	45

DEPARTMENT OF DEFENSE

Funding Highlights:

- Provides $553 billion for the base budget, an increase of $22 billion above the 2010 appropriation. This reflects continued investment in national security priorities such as cybersecurity, satellites, and nuclear security. The Budget also includes a series of management and acquisition reforms that will produce a net of $78 billion in savings through 2016.
- Maintains ready forces and continues efforts to rebalance military forces to focus on both today's wars as well as potential future conflicts.
- Enhances the Administration's commitment to maintaining a reliable nuclear deterrent by increasing investments in the nuclear weapons complex and in weapon delivery technologies, and to nonproliferation by preventing the spread of nuclear materials around the world.
- Supports the Administration's goal to provide the Nation's military with the most effective and modern equipment possible in a cost-efficient manner. Departmental priorities include improving business practices, such as developing and purchasing weapons consistent with improved acquisition policy.
- Continues strong support for servicemembers and military families.
- Supports access to medical care for over 9.6 million servicemembers, retirees, and their families. This includes ongoing support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury, and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers.
- Reinvests $100 billion of expected savings in high-priority areas such as the development or purchase of unmanned intelligence, surveillance, and reconnaissance assets; more ships; a new ground combat vehicle; the Advanced Extremely High Frequency satellite; and the stealthy F-35 Joint Strike Fighter.
- Continues the reform agenda to achieve more efficient business operations.
- Invests in long-term scientific and technological innovation to ensure that the Nation has access to the best defense systems available in the world.
- Invests in new and on-going cybersecurity research and development and improvements to existing cybersecurity capabilities.

The Administration continues to invest in the Nation's military servicemembers and their families and provides them with the training, equipment, and infrastructure needed to maintain military readiness. The President's Budget for the Department of Defense (DOD) reflects that commitment, proposing $553 billion—an increase of $22 billion above the 2010 appropriation.

Although not subject to the President's freeze on non-security discretionary spending, DOD is undertaking a series of management efficiency and acquisition reforms that will produce a net of $78 billion in savings over the years 2012 through 2016 compared to the previous DOD topline funding levels. Cost-cutting measures include the consolidation of several Air Force operation centers, reduced Army construction costs, and the Navy's use of multi-year procurement strategies.

DOD supports the provision of an additional $2.2 billion for National Nuclear Security Administration weapons activities between 2013 and 2016. These funds will enhance the reliability of the Nation's nuclear weapons complex and support the goals of the Nuclear Posture Review as the United States and Russia implement the New Strategic Arms Reduction Treaty (START).

The incremental costs of funding Overseas Contingency Operations (OCO), including ongoing efforts in Afghanistan and transition activities in Iraq, are funded separately in the Budget at $118 billion. A full discussion of these costs is presented in the OCO chapter.

Protects Americans and Supports Those Who Serve

Maintains Military Readiness. The Administration is committed to providing servicemembers with the resources needed to respond to the multiple, complex, and sometimes unconventional threats posed by today's security environment. To that end, the Budget provides $172 billion of Operation and Maintenance funds to support training and readiness. The Administration's commitment is to ensure the troops have the equipment they need to train and fight.

Prepares for Emerging Threats. The Administration supports continued improvements in DOD's ability to protect servicemembers and others from emerging threats both in the United States and abroad with several initiatives including full funding of $31.8 million for the reorganization of a chemical, biological, radiological, nuclear and high-yield explosive (CBRNE) response element and the addition of eight Homeland Response Forces (HRF) (for a cumulative total of 10 HRFs), which will be in place prior to the end of 2012; $200 million for a public-private partnership of a vaccine manufacturing facility in support of the Administration's new Medical Counter Measure Initiative; and $138 million to continue building DOD's Institute of Infectious Disease at the new Interagency Biodefense Campus. This facility will be an important asset to help protect the Nation from public health threats like emerging infectious diseases and deliberate biological attacks.

Sustains Nuclear Deterrent to Protect the Nation and Promote International Stability. As part of its 2010 Nuclear Posture Review and in support of the New START Treaty, the Administration will modernize America's nuclear arsenal and the complex that sustains it. Moreover, the Administration remains dedicated to sustaining and modernizing U.S. strategic delivery systems, thus helping to ensure diverse deterrents in the face of evolving challenges and technological developments. This includes specific commitments to maintain continuous at-sea deployments of ballistic missile submarines in the Atlantic and Pacific Oceans, as well as the ability to surge additional submarines during crises; sustain the Air Force's Minuteman III missile through 2030; and modernize the heavy bomber force so it can serve for the indefinite future. Additionally, the Administration will enhance international stability by reducing the risks of global nuclear proliferation. The Budget continues the President's global lockdown initiative to secure nuclear materials, detect and deter nuclear testing and smuggling, and support verification and implementation of international nonproliferation treaties. The Administration also promotes stability by supporting ballistic missile defenses that will protect the United States and its allies from attack by nuclear or conventional ballistic missiles.

Supports Allies to Help Fight Terrorism. Providing assistance to develop foreign countries' security capabilities is an essential element of U.S. strategy in Iraq and Afghanistan and of the overall national security strategy. The Administration is committed to funding these security sector assistance programs in an effort to maintain and develop allies' capability to prevent terrorist threats, to the United States and other countries, which originate from abroad. Further, by assisting the development of other countries' abilities to combat terrorism, these investments reduce the need for greater U.S. involvement in the future.

In addition to these programs, which are directly related to completing the mission in Iraq and combat operations in Afghanistan, the Budget provides $500 million for DOD's global military "train and equip" assistance programs. DOD uses these programs to fund counterterrorism training in a variety of countries. DOD also uses these programs to develop the internal counterterrorism capability of Yemen, which is critical to the Administration's goal of defeating al Qaeda in the Arabian Peninsula.

Backs the Nation's Troops and Their Families. Today's servicemembers make up the most elite and proficient fighting force in the world, and their strength depends on the strength and stability of their families. Overall, the Budget provides $8.3 billion to support military families, including $1.2 billion to expand availability of affordable, high-quality child care; $4.7 billion to improve servicemembers' quality of life; and $2.4 billion to sustain and build DOD schools, supporting quality education for military dependents.

The Budget also includes funding for a 1.6 percent pay raise for military service members, as well as a variety of monthly special skill-based payments, enlistment and reenlistment bonuses, and other benefits. In addition, included in the $8.3 billion, the Budget shifts $73 million from the OCO budget to the base budget to support stability and adequate resources for important family support programs over the long-term.

Cares for Wounded, Ill, and Injured Servicemembers. The Administration sustains ongoing efforts to provide high-quality medical care to the over 9.6 million servicemembers, retirees, and their families. This includes support for wounded warrior transition units and centers of excellence in vision, hearing, traumatic brain injury (TBI), and other areas to continuously improve the care provided to wounded, ill, and injured servicemembers. The Budget provides:

- $52.5 billion for the overall Military Health System, which includes construction of military hospitals and clinics, pay for military medical staff, as well as accrual contributions for future Medicare-eligible beneficiaries;

- A projected $677 million to provide care for TBI and psychological health; and

- $415 million for continued support of wounded, ill, and injured medical research, to include psychological health and TBI/Post Traumatic Stress Disorder.

To ensure that beneficiaries receive treatment in state-of-the-art hospitals and clinics, the Budget plans for completion of the Walter Reed National Military Medical Center, and funds construction of the Fort Bliss hospital replacement, and ambulatory care centers at Andrews Air Force Base and Lackland Air Force Base.

Streamlines the Disability Evaluation and Compensation Process. DOD has also worked to improve and streamline the disability evaluation and compensation process. The Administration funds full implementation of the new DOD-Department of Veterans Affairs (VA) joint medical exam process, which has been shown to decrease the time between a servicemember's separation from DOD and when he or she receives a VA disability check from 180 days to 34 days.

Improves the Way Federal Dollars are Spent

Reforms Acquisition. DOD contracts account for approximately 70 percent of all Federal procurement spending, making DOD reform initiatives critical to broader efforts to improve Government-wide purchasing. Building on efforts begun in 2010, it is vital that DOD continue to implement its acquisition reforms, reduce its use of high-risk contracts related to time-and-materials and labor-hours, modernize key weapons systems to provide servicemembers with the best technology to meet battlefield needs, and eliminate or reconfigure lower-priority acquisitions. In line with its reforms, DOD will begin implementing an innovative satellite acquisition approach in order to reduce costs and strengthen the industrial base. This approach will use advance appropriations to ensure both a full-funding commitment and greater cost transparency.

Eliminates Unneeded Weapons Systems. DOD recognizes the need to develop a portfolio of affordable and versatile military capabilities that can be produced on a reasonable schedule and in sufficient quantities. To that effect, Secretary Gates has recommended for termination several major weapons systems that are experiencing significant development problems, unsustainable cost growth, or are not suited for today's security challenges. These include the Marine Corps Expeditionary Fighting Vehicle, the procurement of the Army Surface Launched Medium Range Air-to-Air Missile air defense system, and the Navy's SM-2 Block IIIB surface-to-air missile. The capabilities that were to be provided by these niche systems will be largely met through the modernization and upgrade of existing systems at a fraction of the cost. The total cost savings that will be realized from these terminations will exceed $13 billion.

Improves Departmental Management and Seeks Efficiencies. Secretary Gates is making broad changes to how DOD is managed up and down the organization, from the individual Services to the Office of the Secretary. Altogether, he has proposed changes that will produce net savings of $78 billion over the course of five years. These improvements focus on creating a more streamlined, agile and effective organization and on freeing up resources currently tied up with activities that are low priorities or even relics from how the U.S. military was organized during the Cold War. Up to $100 billion in efficiency savings will then be reinvested in higher priorities within DOD. Examples of these efficiency initiatives include the Air Force's consolidating two air operations centers in the United States and two in Europe, the Army's avoiding $1.4 billion in military construction costs by sustaining existing facilities, and the Navy's saving more than $1.3 billion by using multi-year procurement strategies to buy new surveillance, jamming, and fighter aircraft. DOD is making itself into a leaner organization by slimming down upper management, for example by dis-establishing the headquarters of the Second Fleet in Norfolk, Virginia, which had distinct responsibilities during the Cold War but which currently has training and mission responsibilities that will be transferred to a different part of the Navy. DOD is further promoting a leaner organization by trimming the number of Generals and Admirals by more than 100 positions out of the roughly 900 currently on the books, and by eliminating or downgrading nearly 200 out of 1,400 senior civil servant positions. While these personnel changes will result in only modest savings, they will contribute to a leaner, more effective DOD.

The Secretary is also proposing to take important steps to tackle burgeoning health care costs that cannot be sustained in the long run without undermining the department's core mission. While DOD is committed to providing its servicemembers, retirees, and their families with quality healthcare, the current system is out of balance. The Budget proposes a package of health care efficiency and management reforms that are projected to save nearly $8 billion over the next five years.

Invests in Innovation for National Security

Funds Research and Development for the Military of the Future. The Administration is determined to adequately fund the Nation's long-term scientific and technical needs—including those for national security—even within constrained budgets. Accordingly, the Budget proposes $76.7 billion for research, development, test and evaluation, including $12.2 billion for early-stage science and technology programs. These science and technology programs, which include basic and applied research, as well as early technology development, allow the Nation to explore diverse scientific principles and technological applications, including bio-defense, cybersecurity, information access, and cleaner and more efficient energy use. DOD-funded research provides future options for new defense systems and helps the Nation avoid technological surprise by potential adversaries. The funding proposed in the Budget will be awarded through competitive processes, with experts guiding the choices of research topics to be undertaken, and reviewing and selecting projects for funding based on proposals submitted by universities, non-profit organizations, for-profit companies and Government labs.

Modernizes Weapon Systems. A major goal of the Administration is to provide servicemembers with the most effective and modern equipment possible in a cost-efficient manner. To accomplish this, the Budget requests $113 billion to continue to procure advanced weapons systems and other equipment to support both today's wars and future conflicts. These include: upgraded armored vehicles to better protect the troops ($593 million), the Virginia class submarine to improve the Navy's ability to operate in coastal waters and support special operations forces ($4.7 billion), the Advanced Extremely High Frequency satellite to provide secure communications to all branches of the Armed Forces ($975 million), and the stealthy F-35 Joint Strike Fighter ($9.7 billion). The Budget also bolsters the capabilities of the key components in the ongoing effort to rebalance the military to focus on current and emerging threats, namely, cyber and electronic warfare, Unmanned Aerial Vehicles, and helicopters.

Secures Information Infrastructure from Intrusion. The Budget provides $2.3 billion to support improved cybersecurity capabilities within DOD and greater joint planning efforts between DOD and the Department of Homeland Security (DHS) to increase the effectiveness of cybersecurity efforts across the Government. The Administration also requests $119 million to support full operational capability for U.S. Cyber Command, which was established in 2010 to direct the operation and defense of specific DOD information networks. In addition to bolstering ongoing operational capabilities, the Administration funds new and on-going cybersecurity science and technology; enhances DOD activities to protect core defense information systems; and, in partnership with DHS, supports cybersecurity demonstration and pilot programs to protect critical network information systems.

Department of Defense
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Base budget authority:			
Military Personnel	134,977		142,829
Operation and Maintenance	184,271		204,388
Procurement	104,821		113,029
Research, Development, Test and Evaluation	80,140		75,325
Military Construction	21,030		13,073
Family Housing	2,259		1,695
Revolving and Management Funds	2,612		2,701
Subtotal, Discretionary Base budget authority	530,110	549,119	553,040
Memorandum:			
Budget authority from supplementals	*–1,906*	—	—
Discretionary Overseas Contingency Operations (OCO) budget authority (discussed separately in OCO chapter):			
Enacted	*162,265*	—	—
Requested (2011 excludes $258 million in U.S. Coast Guard funding)		*159,082*	*117,585*
Subtotal, Discretionary OCO budget authority	*162,265*	*159,082*	*117,585*
Total, Discretionary budget authority (Base and OCO)	692,375	708,001	670,625
Total, Discretionary Outlays (Base and OCO)	663,683	733,904	701,643
Mandatory Outlays:			
Existing Law	3,032	5,761	5,774
Legislative proposal	—	—	50
Total, Mandatory outlays	3,032	5,761	5,824
Total, Outlays	666,715	739,665	707,467
Credit activity			
Total, Direct loan disbursements	150	258	194

NATIONAL INTELLIGENCE PROGRAM

Funding Highlights:

- Strengthens the capabilities of the Nation's intelligence agencies to furnish timely, accurate, and insightful intelligence on the capabilities and intentions of foreign powers, including international terrorist groups.
- Improves intelligence integration and responsible information sharing for a more effective and efficient intelligence enterprise.
- Supports global intelligence operations in regions of strategic importance such as Afghanistan and Pakistan.
- Enhances Federal Cybersecurity capabilities to protect a central part of our Nation's and economy's infrastructure.
- Allocates resources to support a U.S. Government-wide counterterrorism action plan.
- Improves oversight of the Intelligence Community's contractor workforce to combat waste and improve the way Federal dollars are spent.

The National Intelligence Program (NIP) funds intelligence activities in several Federal departments and the Central Intelligence Agency (CIA). NIP's work is critical to not only protecting American citizens, but also safeguarding our economy from outside threats to foster continued economic growth. This Budget request represents a focused effort by the Director of National Intelligence (DNI) to introduce greater fiscal discipline within the NIP. Although not subject to the President's freeze on non-security discretionary spending, the DNI has conducted an efficiencies review similar to that of the Department of Defense. The DNI has used many of these identified efficiencies to reduce the growth in spending within the Intelligence Community (IC).

NIP's budget is classified, so the President's Budget does not publicly disclose funding requests for intelligence activities. This chapter highlights key NIP-funded activities without detailing funding information.

Strengthens Capabilities of the Nation's Intelligence Agencies. To protect America's national security, the IC provides effective intelligence collection, the analysis of that intelligence, and the production of finished intelligence products. The IC is responsible for timely and effective dissemination of intelligence to those who need it, from the President and heads of Executive Departments to military forces, and law enforcement agencies. To meet the country's national security challenges, the IC is: improving intelligence integration and responsible information sharing; strengthening its component agencies' collection and analysis capabilities; maintaining the security of Federal cyber networks; and protecting against the threat of international terrorism against the United States and allies. The NIP budget supports the Administration's national security objectives and the National Intelligence Strategy (NIS). The DNI, the Director of the CIA, and Department Secretaries with intelligence organizations will use 2012 funds to defeat terrorists and disrupt their capabilities, prevent the proliferation of weapons of mass destruction, penetrate and analyze the most difficult targets of interest to U.S. foreign policymakers, identify and disrupt counterintelligence threats, and provide strategic warning to policymakers on issues of geopolitical and economic concern. The Administration also remains committed to measuring performance to assess progress and create accountability for results across the NIP.

Improves Intelligence Integration and Responsible Information Sharing. The NIP budget will improve intelligence integration to more efficiently and effectively harness the strengths and capabilities of the IC. Through National Intelligence Managers and their associated Unified Intelligence Strategies, the DNI will bring the IC together to execute the goals of the National Security Strategy, the NIS, and the National Intelligence Priorities Framework. The IC is working to create a responsible information environment that enables the integration and sharing of intelligence information anywhere, anytime, with any authorized user—where access is controlled by policy and law and not constrained by technology.

Supports the President's Strategy in Afghanistan and Pakistan. The Administration will request funding for global intelligence operations, which will support the President's strategy in Afghanistan and Pakistan and other regions of strategic importance to the United States. Intelligence Community collection and analysis play a key role in informing decisionmakers at the strategic level and supporting the war fighter at a tactical level.

Enhances Federal Cybersecurity Capabilities. A secure U.S. information infrastructure—including IC telecommunications and computer networks and systems, and the data that reside on them—is critical to national security. Threats to information technology infrastructure endanger national and economic security and citizens' privacy and are, therefore, an important policy focus of the Government. The NIP budget supports Presidential cybersecurity priorities, such as the National Strategy for Trusted Identities in Cyberspace (NSTIC) and the National Initiative for Cybersecurity Education (NICE), as well as the continued support of cybersecurity research and development.

Allocates Resources to Support Counterterrorism Efforts. The National Counterterrorism Center's (NCTC) U.S. Government-wide counterterrorism action plan lays out broad strategic objectives aligned with policy objectives to guide implementation. The Administration will continue to integrate mission-based budgeting in the counterterrorism area with the annual budget process and will work with the NCTC, the IC, and relevant Departments, such as Defense, State, and Homeland Security, to direct resources in support of counterterrorism implementation objectives. The Administration will also introduce more outcome measures and program evaluations in this area to help improve program effectiveness.

Improves Oversight of and Includes Reductions to the Contractor Workforce. The IC continues to improve its oversight of the contractor workforce by implementing guidance on the proper use of contractors and by refining its understanding of this part of the workforce through the annual core contractor inventory. Moreover, the IC continues to strive for the appropriate mix of civilians, military, and contractors in its multi-sector workforce. The NIP budget includes reductions to the contractor workforce as the DNI seeks to streamline operations and make the IC more efficient.

DEPARTMENT OF EDUCATION

Funding Highlights:

- Provides $77.4 billion. The Budget includes a significant increase for K-12 education, while making tough choices to put the Pell Grant program on a sustainable fiscal path.
- Provides $1.4 billion for new competitions, modeled on the successful Race to the Top initiative, to strengthen and reform early childhood education, improve district performance in elementary and secondary education, and improve outcomes in higher education.
- Continues support for a $5,550 maximum Pell Grant award, $819 above the level in 2008, while putting the program on a sustainable fiscal path by eliminating the year-round Pell Grant and the in-school interest subsidy for graduate and professional student loans.
- Strengthens the effectiveness of America's teachers with $975 million in competitive initiatives to recruit, prepare, reward, and retain great teachers.
- Invests $26.8 billion, an increase of 6.9 percent, in a reformed Elementary and Secondary Education Act (ESEA) focused on raising standards, encouraging innovation, and rewarding success, while allowing States and districts more flexibility to invest resources where they will have the greatest impact. The new ESEA directs funds to reform-oriented competitive initiatives, consolidates dozens of programs, and cuts programs that do not demand results.
- Provides $300 million for the Investing in Innovation program to support effective approaches to student learning.
- Invests $150 million in Promise Neighborhoods, to support effective community services, strong family supports, and rigorous comprehensive education reforms to improve the educational and life outcomes for children and youth in high-need communities.
- Provides over 13 million students with low-cost loans to attend college and provides new rewards for colleges and universities that achieve outcomes for disadvantaged students.
- Eliminates 13 discretionary programs and consolidates 38 K-12 programs into 11 streamlined programs focused on improved outcomes.
- Fosters productivity by encouraging States and districts to enact education reforms that are more cost-effective.
-

In its first two years, the Administration has combined unprecedented financial support for American education with extraordinary success in promoting and achieving fundamental reforms that will benefit students of all ages and their families and help create a workforce that can compete with any in the world economy for decades to come. The President's Budget builds upon this success with a request of $77.4 billion for the Department of Education. K-12 education receives one of the only significant funding increases in the 2012 Budget, though the increase is smaller than that last year due to the fiscal environment. To support the reauthorization of the Elementary and Secondary Education Act (ESEA), the Administration proposes to focus increased funding on reform-oriented competitive initiatives, consolidate dozens of programs, and reduce funding for grants that do not demand results. The Budget maintains historic increases for Pell Grants, which are critical to creating future generations that are well-educated and globally-competitive. To put Pell Grants on a firm financial footing that can be sustained for years to come, the Budget eliminates year-round grants that began in 2009 and eliminates the in-school interest subsidy for loans to graduate students.

Invests in an Educated, Competitive America

Adapts the Race to the Top Model of Competition to Transform Lifelong Learning. Widely viewed as leveraging more change than any other competitive education grant program in history, the Race to the Top (RTT) initiative spurred States across the Nation to bring together teachers, school leaders, and policymakers to achieve difficult yet fundamental improvements to our education system. The competition fostered meaningful change even in States that did not ultimately win an award. Looking at the success the RTT competition had in targeting funds to the most innovative and successful education programs, the Administration proposes three new initiatives based on similar principles: offering competitive funding; demanding significant reforms with deep support; requiring outcomes; and measuring success. Specifically, the Budget proposes:

- *An Early Learning Challenge Fund.* Quality early education is an investment that pays off for years by preparing children for a lifetime of learning. The Budget includes $350 million to establish a new, competitive Early Learning Challenge Fund, administered by the Department of Education and the Department of Health and Human Services, for States that are ready to take dramatic steps to improve the quality of their early childhood programs.

- *A New K-12 Race to the Top.* The Budget proposes $900 million for a new K-12 RTT that will bring the RTT reform approach to school districts, with a focus on cost-effective reforms that improve student achievement in an era of tight budgets.

- *A "First in the World" Competition Among Colleges and Universities.* To help America restore its international leadership in the number of students graduating college, the Budget invests $150 million in a new initiative to increase college access and completion and improve educational productivity. The proposal introduces into the Fund for Improvement of Postsecondary Education an evidence-based framework, enabling the Fund to become a postsecondary "Investing in Innovation" program that will test, validate, and scale up effective approaches. In addition to these competitive grants, the Budget also provides $50 million in 2012 and a total of $1.3 billion over five years in performance-based funding to institutions that have demonstrable success in enrolling and graduating more high-need students and enabling them to enter successful employment.

Sustains Maximum Pell Grant Increases and Makes Tough Choices to Put the Program on Firm Fiscal Footing. Since 2008, the Administration has increased the maximum Pell Grant by $819, ensuring access to postsecondary education for over nine million needy students.

The Budget maintains this commitment by sustaining the $5,550 maximum award to support the President's 2020 higher education goal. To pay for this expansion, the Budget also supports the urgent enactment of a new Pell Grant Protection Act that makes the tough choices needed to fully fund the $5,550 maximum award in the coming years. These steps include eliminating the poorly targeted in-school interest subsidy for loans to graduate students and ending the costly new year-round Pell Grant, which offers students a second Pell Grant in one year, but has cost 10 times more than anticipated and failed to demonstrate a meaningful impact on students' academic progress. This approach fully funds anticipated growth in the Pell Grant program over the next decade, and the Administration will work with the Congress on a responsible approach to budgeting for unanticipated growth.

Increases the Number of Effective Teachers and School Leaders. Increasing the number of great teachers, especially in disadvantaged schools, will require major new efforts to recruit greater numbers of talented individuals into teaching; better prepare and support individuals to be successful in the classroom; and recognize and reward excellence in the classroom. In addition to a $2.5 billion investment in an overhauled teacher quality formula grant, the Budget invests $500 million in the Teacher and Leader Innovation Fund, a competitive program for States and districts with smart approaches to strengthening the impact of school professionals, and $250 million in Teacher and Leader Pathways, a competitive program to invest in effective teacher and leader preparation programs. As a replacement of the existing TEACH grants program, the Budget provides $185 million for a grant program for States that agree to measure the performance of their teaching institutions, supply scholarship aid to talented individuals attending the most successful programs, hold the least effective teacher education programs accountable for results, upgrade licensure and certification standards, and provide recognition and portable certification to effective classroom teachers. The Budget also includes $40 million for a new competitive grant to improve and expand teacher education programs at minority-serving institutions, a significant pipeline for preparing a diverse teaching force.

Prepares 100,000 STEM Teachers for the Classroom and Encourages Breakthrough Technology. Students need to master science, technology, engineering, and mathematics (STEM) in order to thrive in the 21st Century economy, and we have seen other nations eclipse ours in preparing their children in these critical fields. That is why the President has set the ambitious goal of preparing 100,000 STEM teachers over the next decade, and recruiting 10,000 STEM teachers over the next two years. The Budget includes $80 million to expand promising and effective models of teacher preparation, which will help train effective STEM teachers. In addition, the Budget includes $90 million for a new Advanced Research Projects Agency-Education (ARPA-ED) in 2012 that would promote dramatic breakthroughs in educational technology.

Helps Students with Disabilities Achieve Their Full Potential. The Budget provides a $200 million increase for Individuals with Disabilities Education Act (IDEA) State Grants, which help students with disabilities succeed in elementary and secondary school. An 11 percent increase for the IDEA Infants and Families programs (Part C), providing an additional $50 million, will also help ensure many of our youngest and most vulnerable children get off to a strong start. In addition, a new $30 million joint pilot with three other agencies will develop and evaluate innovative approaches to improving outcomes of children receiving Supplemental Security Income and their families.

Use Resources More Effectively for Better Results

Reforms Elementary and Secondary School Funding by Supporting High Standards, Encouraging Innovation, and Rewarding Success. Too often, funds are allocated based on variables that are not tied to success or the educational goals we need to reach to educate a competitive workforce. As the Congress moves forward to reauthorize the ESEA, the Administration will work with the Congress to restructure K-12 funding to focus resources on the Nation's most critical educational goals. Specifically, we want to encourage States to adopt standards that prepare all students for college and a career; to support dramatic improvements in the quality of assessments; and to recognize and reward schools and teachers for helping students make important gains. Our proposal also offers new flexibility for successful States and districts to pursue solutions to help all students graduate from high school—college- and career-ready. In addition, we would encourage innovation by consolidating narrow programs into broader competitive grant authorities. Key support for this proposal in the Budget includes:

- $300 million in new Title I funding to reward schools that show the most progress in improving the achievement of at-risk students.

- $300 million to continue the Investing in Innovation program to test, validate, and scale up effective approaches to student learning.

- $150 million in Promise Neighborhoods, an initiative that supports effective community services, strong family supports, and rigorous comprehensive reforms to improve the educational and life outcomes for children and youth in high need communities.

- $372 million to expand educational options by helping grow effective charter schools and other autonomous public schools that achieve positive results and give parents more choices.

- $600 million for School Turnaround Grants to support the Administration's commitment to helping States and districts turn around our Nation's lowest performing schools.

- $835 million to support a well-rounded education, including reading; science, technology, engineering, and math; and the humanities; and $365 million for efforts to promote school safety, health, and well-being.

- $750 million to strengthen and reform education for English learners and to support innovations that will improve learning outcomes.

Restructures Narrow Education Programs Into Broad and Flexible Competitions that Fund What Works. Over the years, numerous small programs have been created to deliver education funding, yet many of them have not been evaluated for efficacy or have not been proven to make a difference. We have a responsibility to spend every dollar as effectively as possible. The President's Budget eliminates 13 discretionary programs and consolidates 38 K-12 programs into 11 new programs that emphasize using competition to allocate funds, giving communities more choices around activities, and using rigorous evidence to fund what works. The Administration's proposal also includes provisions to ensure that new grant competitions result in an equitable geographic distribution of funds nationwide, including to rural communities.

Helps States and Districts Do More with Less by Evaluating What Works and Paying for Success. Now more than ever we cannot waste taxpayer dollars on programs that do not work. That is why the Budget includes significant resources to continue the Department's efforts to evaluate investments launched under the Recovery Act and to initiate several new evaluations of interventions in adult and postsecondary education. In addition, the Budget contains $100 million to help States and districts provide important information to principals and teachers about their progress in meeting their reform goals and improving outcomes for students. As we learn what works, we also should reward those who are able to get extraordinary results from the dollars they spend. The Administration is launching a series of low-cost incentive programs including "pay for success bonds" that provide funding only after results are achieved; prioritizing cost-saving initiatives within Race to the Top and Investing in Innovation; and creating a prize for State and local grantees with the greatest cost savings.

Department of Education
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Legislative proposal, Elementary and Secondary Education Act:			
College and Career Ready Students [1]	14,492		14,792
School Turnaround Grants	546		600
Race to the Top	—		900
Investing in Innovation	—		300
English Learner Education	750		750
Effective Teaching and Learning for a Complete Education	870		835
College Pathways and Accelerated Learning	103		86
Excellent Instructional Teams	3,495		3,250
Expanding Educational Options	409		372
Supporting Student Success	1,541		1,781
Special Education State Grants [2]	12,319		12,569
Career and Technical Education and Tech Prep	1,272		1,008
Adult Education State Grants	628		635
Workforce Innovation Fund	—		30
Federal Student Aid:			
Supplemental Educational Opportunity Grants	757		757
Federal Work Study	980		980
Higher Education:			
Minority Serving Institutions—Discretionary funding	613		653
Minority Serving Institutions—Mandatory funding (non-add)	*278*		*278*
TRIO programs- Discretionary funding	853		920
TRIO programs-Mandatory funding (non-add)	*57*		—
GEAR UP	323		323
Student Aid Administration	806		1,095
Institute of Education Sciences	659		760
All other	5,221		5,398
Subtotal, non-Pell Discretionary budget authority [3]	46,637	50,297	48,797
Federal Pell Grants (with proposed policy changes in 2012)	17,495		36,261
Mandatory savings proposal	—		–7,661
Total, Discretionary budget authority [3,4]	64,132	72,859	77,397
Total, Discretionary outlays	106,544	100,994	78,935

Department of Education—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Mandatory Outlays:			
Legislative proposal, Provide mandatory appropriation to sustain recent Pell Grant increases	—	—	2,069
Legislative proposal, Eliminate in-school interest subsidies for graduate and professional students	—	—	–984
Legislative proposal, Provide current borrowers incentive to convert from guaranteed loans to direct loans to simplify loan servicing	—	—	–2,136
Legislative proposal, Eliminate year-round Pell Grants and simplify the student aid application	—	–60	–535
Legislative proposal, Reform and expand Perkins loan program	—	—	–578
Legislative proposal, Other student aid reforms	—	—	–378
Academic Competitive/SMART Grants	881	780	4
Vocational Rehabilitation (VR) State Grants	2,686	3,316	3,168
All other	–17,223	–25,647	–8,638
Total, Mandatory outlays	–13,656	–21,611	–8,008
Total, Outlays	92,888	79,383	70,927
Credit activity			
Direct Loan Disbursements:			
Historically Black College and University Capital Financing	171	137	186
Federal Direct Student Loans (FDSL)	74,709	133,507	145,129
TEACH Grants	104	127	107
Student Loan Acquisition	56,909	972	37,704
Federal Perkins Loans	—	—	2,167
Total, Direct loan disbursements	131,893	134,743	185,293
Guaranteed Loan Disbursements:			
Federal Family Education Loans (FFEL)	42,141	—	—
Total, Guaranteed loan disbursements	42,141	—	—

[1] Program level. Budget authority is same as the program level in 2010 and $841 million less than the program level in 2012.
[2] Program level. Budget authority is same as the program level in 2010 and $841 million less than the program level in 2012. Includes IDEA Part B State Grants, IDEA Preschool grants, and IDEA Grants for Infants and Families.
[3] Discretionary budget authority totals in 2010 are net of –$143 million in funds rescinded under P.L. 111–226. Budget authority does not include an $18 million transfer to the Student Aid Administration from 2009 Federal Work-Study under the authority provided by Sec. 304 of P.L. 111–8. Discretionary totals do not include rescissions of Academic Competitiveness/SMART Grant balances amounting to $561 million in 2010 and $597 million in 2011.
[4] The Pell Grant program was requested as mandatory funding in 2011. The 2011 discretionary total of $72,859 includes an adjustment for Pell Grants based on the annualized CR, P.L. 111–242

DEPARTMENT OF ENERGY

Funding Highlights:

- Provides $29.5 billion, a 12 percent increase over the 2010 enacted level. This reflects increases for priority areas such as clean energy, nuclear security, and research and development. Savings are achieved through cuts to inefficient fossil energy programs.
- Doubles the number of Energy Innovation Hubs, adding three areas of research to focus on critical materials including rare earth materials, battery and energy storage, and new grid technologies and systems to help Smart Grid and improve energy transmission efficiency.
- Positions the United States to lead in the clean energy economy by providing $5.4 billion for long-term research and development at the Office of Science and $550 million for the Advanced Research Projects Agency–Energy.
- Makes a significant commitment to U.S. energy technology leadership, more than doubling energy efficiency research, development, and deployment and increasing renewable energy investments by over 70 percent.
- Initiates a public-private effort to reduce energy usage in our Nation's commercial buildings by 20 percent by 2020. The Department of Energy's programs include a "Race to Green" grant competition and a pilot program to provide retrofit loan guarantees that will focus on universities and hospitals. These programs complement an expanded and redesigned tax incentive for commercial building upgrades.
- Helps reach the goal of one million advanced technology vehicles on the road by 2015 through more than $580 million to assist in research and development, a competitive grant program to support deployment in communities across the country, and enhancements to the existing electric vehicle tax incentive.
- Increases the percentage of electricity produced by clean energy sources by encouraging early commercial deployment of innovative clean energy technologies with additional loan guarantee support for nuclear power plants and innovative energy efficiency and renewable energy projects. This financing support complements tax incentives (e.g., Section 1603 grants and Section 48c credits) for renewable energy generation and manufacturing.
- Eliminates inefficient fossil fuel subsidies that impede investment in clean energy sources and undermine efforts to address the threat of climate change.
- Includes $7.6 billion to maintain a safe, secure, and effective nuclear weapons stockpile in support of the planned decrease in deployed U.S. and Russian weapons under the New Strategic Arms Reduction Treaty approved by the Senate.

- Strengthens national security through funding for the detection, elimination, and securing of nuclear and radiological material worldwide.
- Continues the Nation's efforts to reduce environmental risks and safely manage nuclear materials.

The Department of Energy (DOE) is charged with advancing the national, economic, and energy security of the United States; promoting scientific and technological innovation in support of that mission; and ensuring the environmental cleanup of the national nuclear weapons complex. It facilitates some of the President's highest priorities: clean energy and research and development (R&D), which are critical to the Nation's economic competitiveness and national security. The President's Budget provides $29.5 billion for DOE to support this mission, a 12 percent increase over the 2010 enacted level. While funding has been increased in these critical areas, the Administration has identified areas for savings, such as certain fossil energy programs where industry has the resources to move forward without Federal assistance.

Invests in the Clean Energy Economy and Jobs of the Future

Doubles the Number of Energy Innovation Hubs. Energy Innovation Hubs will bring together top scientists to work in teams on cross-disciplinary research related to critical materials and rare earth elements, energy storage and batteries, and the development of new grid technologies and systems to help Smart Grids improve energy transmission efficiency. Innovation and breakthroughs often happen when scientists and thinkers from different disciplines have a chance to work together on some of our toughest problems. This was the approach undertaken in the Manhattan Project and in the effort to develop radar. As we look at the challenges facing the Nation, especially those related to clean energy, we need to foster this kind of creativity. That is why the Budget doubles the number of Energy Innovation Hubs, creating three more Hubs across the country. These new Hubs will join existing Hubs on fuels from sunlight, energy efficient buildings, and modeling and simulation technologies for nuclear power.

Funds Clean Energy Research, Development, and Deployment to Keep America Competitive. To lead in the industries of tomorrow, it is critical that we invest in R&D today. The Budget advances the President's Plan for Science and Innovation to double the budgets of key basic research agencies, providing $5.4 billion for the Office of Science, including $2.0 billion for basic energy sciences to discover new ways to produce, store, and use energy. These funds are part of a broad energy strategy that starts with research and includes deployment through grants, financing assistance, and tax incentives. Compared to 2010, the Budget more than doubles funding for energy efficiency activities to improve the energy productivity of our industries, vehicles, and buildings. It ramps up support for renewable energy research, development, and deployment activities by over 70 percent, including: $457 million for solar energy; $341 million for biofuels and biomass R&D, including a new reverse auction to promote advanced biofuels; and more than doubling investment in geothermal energy to $102 million. It also includes: $853 million to support nuclear energy, including research and development of a variety of nuclear technologies, such as Small Modular Reactors; and $453 million for a fossil energy R&D portfolio focused on carbon capture and storage technologies. The Budget includes funding to accelerate the deployment of new models of energy research pioneered in the last several years, including $550 million for the Advanced Research Projects Agency–Energy, a program that supports breakthrough ideas. Finally, building on the unprecedented investment in clean energy provided by the American Reinvestment and Recovery Act of 2009 (the Recovery Act), the Budget provides $36 billion in loan guarantee authority for new nuclear power facilities and an additional $200 million in credit subsidy to support $1 billion to $2 billion in loan guarantees for innovative energy efficiency and renewable energy projects, and proposes new loan authority to improve the efficiency of commercial buildings, hospitals and schools.

Reduces Buildings' Energy Use by 20 Percent by 2020. The 80 billion square feet of non-residential building space in the United States present an opportunity to realize large gains in energy efficiency. In 2010, commercial buildings consumed roughly 20 percent of all energy in the U.S. economy. The President's Better Buildings Initiative will, over the next 10 years, seek to make non-residential buildings 20 percent more energy efficient by catalyzing private sector investment through a series of incentives to upgrade offices, stores, universities, schools, hospitals and other commercial buildings. The Budget proposes to make American businesses more energy efficient through three new initiatives: re-designing the current tax deduction for commercial buildings and upgrades by changing it to a credit and increasing the program by $1 billion; launching two new pilot projects that focus on increasing financing opportunities for universities, schools, and hospitals by providing loan guarantees; and creating a $100 million "Race to Green" competition for State and municipal governments to implement innovative approaches to building codes, standards, and performance measurements so that commercial building efficiency will become the norm. These programs build on the Administration's commitment to retrofitting residential and government buildings, particularly through the Recovery Act investments and the Administration's proposed Homestar program. The Administration continues to call on the Congress to pass the Homestar bill, which would create jobs by encouraging Americans to invest in energy saving home improvements.

Helps Put One Million Advanced Technology Vehicles on the Road by 2015. To reach this goal and become the first in the world to do so, the Budget proposes new efforts to support electric vehicle manufacturing and adoption in the United States. The Budget transforms the existing $7,500 tax credit for electric vehicles into a rebate that will be available to all consumers immediately at the point of sale, and advances innovative technologies through new R&D investments, building on the Recovery Act investments. In addition, the Budget proposes an investment of $588 million for vehicle technologies—an increase of 88 percent above current funding levels, including a new effort to reward communities that invest in electric vehicles and infrastructure and remove regulatory barriers through a $200 million grant program, modeled after the Race to the Top program.

Modernizes the Electric Grid. The Budget continues to support the modernization of the Nation's electric grid by investing in research, development, and demonstration of Smart Grid technologies. This effort will spur the transition to a smarter, more efficient, secure and reliable electric system. As part of this effort, the Budget supports a new Energy Innovation Hub that will focus on grid technologies. The end result will promote energy- and cost-saving choices for consumers, reduce emissions, and foster the growth of renewable energy sources like wind and solar. In addition, the Budget supports the Power Marketing Administrations to reliably operate, maintain, and rehabilitate the Federal hydropower and transmission systems.

Eliminates Inefficient Fossil Fuel Subsidies. Consistent with the Administration's Government-wide effort to identify areas for savings, the Budget eliminates inefficient fossil fuel subsidies that impede investment in clean energy sources and undermine efforts to address the threat of climate change. Approximately $4 billion per year in tax subsidies to oil, gas, and other fossil fuel producers are proposed for repeal.

Protects Americans from the Threat of Nuclear Harm and Pollution

Modernizes the Nation's Nuclear Weapons Arsenal, Reduces Proliferation Risks, and Maintains a Strong Strategic Deterrent. The Administration proposes $11.8 billion in new budget authority for the National Nuclear Security Administration (NNSA), $1.9 billion more than the 2010 enacted level. The overall investment includes $7.6 billion for Weapons Activities, an increase of $1.2 billion over the 2010 enacted level, to maintain a safe, secure, and effective nuclear arsenal by improving and replacing aging facilities and infrastructure, continuing nuclear weapon life extension programs, and sustaining stockpile surveillance and certification activities. This is the first of a multi-year effort, consistent with the report on the nuclear weapons infrastructure submitted to the Congress in November 2010. This multi-year funding is included in the outyear Budget assumptions and will be included in NNSA's budget each year. The Administration also proposes $2.5 billion to prevent the proliferation of nuclear weapons by fully funding efforts to secure and dispose of nuclear material, to develop technologies to detect and deter nuclear testing and smuggling, and to support international nonproliferation treaties, regulatory controls, and safeguards. The Administration also proposes $1.2 billion for the work on naval reactors, including design of a new spent fuel handling infrastructure and reactor development for a replacement to the Ohio Class ballistic missile submarine to sustain a robust nuclear deterrent. Finally, reflecting their close partnership and shared commitment, a portion of future funding for NNSA will be included in the Department of Defense's budget, with allocations being made to NNSA each budget year.

Protects the Public from Harmful Exposure to Radioactive Waste and Nuclear Materials. The Environmental Management program continues to clean up waste and contamination to meet its cleanup commitments at sites used for nuclear weapons production and energy research. The program's cleanup actions include removing radioactive wastes from underground storage tanks, decontaminating and decommissioning old production facilities, and installing groundwater monitoring wells primarily at sites in Washington, South Carolina, Idaho, Tennessee, and New Mexico.

Department of Energy
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
National Defense:			
National Nuclear Security Administration	9,881		11,783
Cancellation of unobligated balances	—		– 70
Other Defense Activities	847		859
Energy Resources	4,445		5,697
Science	4,964		5,416
Environmental Management	6,459		6,130
Corporate Management	256		171
Power Marketing Administrations	150		86
Offsetting receipts	–508		–525
Total, Discretionary budget authority	26,494	28,353	29,547
Memorandum:			
Budget authority from supplementals	*–20*	—	—
American Recovery and Reinvestment Act rescission	*–1,500*	—	—
Total, Discretionary outlays	32,911	47,808	42,483
Mandatory Outlays:			
Existing law	–830	–1,877	–1,244
Legislative proposals:			
Ultradeep Water, Oil, and Gas Research and Development	—	—	30
Home Energy Retrofit Rebate Program	—	300	1,800
Wireless Innovation Fund	—	—	20
Total, Mandatory outlays	–830	–1,577	606
Total, Outlays	32,081	46,231	43,089
Credit activity			
Direct Loan Disbursements:			
Title 17 Innovative Technology Direct Loan Financing Account	444	9,857	16,958
Advanced Technology Vehicles Manufacturing Direct Loan Financing Account	1,581	18,556	2,786
Total, Direct loan disbursements	2,025	28,413	19,744
Guaranteed Loan Commitments:			
Title 17 Innovative Technology Loan Guarantee Financing Account [1]	99	2,589	3,713
Better Buildings Pilot Loan Guarantee Initiative for Universities, Schools, and Hospitals	—	—	2,000
Total, Guaranteed loan commitments	99	2,589	5,713

[1] The commitments noted here include disbursements of loan guarantee commitments by the Government, not "conditional commitments" under Title XVII, which are legally contingent on the satisfaction of various conditions precedent.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Funding Highlights:

- Provides $79.9 billion, which is slightly above the 2010 funding level. This supports Administration priorities such as implementation of the Affordable Care Act, biomedical research, and Head Start. Savings are achieved through reductions in the Community Services Block Grant and home energy assistance.
- Includes significant deficit reduction resulting from the passage of the Affordable Care Act.
- Supports new consumer protections and review of unreasonable premium increases, expands coverage for uninsured Americans with pre-existing conditions, and funds programs to hold health insurance companies more accountable to their enrollees.
- Continues a commitment to strengthen program integrity in Medicare, Medicaid, and the Children's Health Insurance Program, and provides new resources to reach the Administration's goal of reducing the Medicare fee-for-service error rate in half by 2012.
- Invests in America's competitiveness through funding for biomedical research.
- Strengthens national preparedness through funding for the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats.
- Invests approximately $3.5 billion for discretionary HIV/AIDS prevention and treatment activities across the Department to expand access to affordable health care and prevention services and align activities with the National HIV/AIDS Strategy.
- Increases access to health care services among American Indians and Alaska Natives.
- Ensures our Nation's food safety system is stronger and more reliable by implementing key provisions of the FDA Food Safety Modernization Act and recommendations from the President's Food Safety Network Working Group.
- Builds on the President's Zero to Five Agenda to improve outcomes for America's children with investments in Child Care and Head Start.
- Proposes reforms to child welfare to improve outcomes for children in key areas, such as safety and permanency.
- Supports the President's fatherhood agenda by encouraging States to ensure that when fathers do the right thing and pay child support, their children benefit.

The Department of Health and Human Services (HHS) is the principal Federal agency charged with protecting the health of all Americans and providing essential human services. The President's Budget includes $79.9 billion to support HHS's mission. Within this level, the Department is taking on significant new responsibilities through implementing the Affordable Care Act and the new food safety law, as well as strengthening program integrity. On the health side, biomedical research is funded at $32 billion at the National Institutes of Health, an increase of $740 million over the 2010 level (post-transfers). In addition, the Budget supports other priorities, such as the training of primary care providers. These increases are offset by a series of consolidations and eliminations among public health programs that we can no longer afford, such as the elimination of a children's hospital graduate medical education program. On the human services side, the Budget invests in Head Start and child care, which are critical to boosting the long-run prospects of children, and proposes reforms in child care, child welfare, and child support. To tighten our belts, the Budget cuts and reforms the Community Services Block Grant and brings funding for energy assistance to low-income families back down to previous levels.

Improves Health Care Services and Reduces Cost to Taxpayers

Reduces Our Long-term Budget Deficit and Provides New Benefits for Americans through Implementation of the Affordable Care Act (ACA). The ACA is estimated to reduce the deficit by approximately $230 billion over the next decade and about $1 trillion over the second decade, based on the most recent Congressional Budget Office analysis. The ACA reduces the deficit by employing a wide range of strategies that achieve the goal of delivering better health care for less, including provisions to fight waste, fraud, and abuse; reward providers for delivering high-quality care; and reform America's health care delivery system by developing innovative ways to deliver care for patients. Benefits include new consumer protections; expanding coverage to uninsured Americans with pre-existing conditions; helping employers provide coverage for early retirees; supporting development of competitive health insurance marketplaces, which will enable Americans to pool their buying power for more affordable coverage; strengthening the Medicare trust funds; reducing costs for Medicare beneficiaries; promoting high quality patient care; providing assistance to States expanding Medicaid coverage for low-income adults; and expanding options to provide home and community-based service alternatives to institutional settings in Medicaid. For the Early Retiree Reinsurance Program, HHS is closely monitoring the Program, and as further data become available on implementation, we look forward to working with the Congress to address emerging issues.

Supports Reforming Medicare's Payments to Physicians to Improve Quality and Efficiency. Medicare physician payments are determined under a formula, commonly referred to as the "sustainable growth rate." This formula calls for reductions in physician payment rates, which Congress has overridden consistently since 2003. In December, the Administration worked with the Congress to offset legislation preventing a 25 percent cut to physician payment rates for 2011. The Budget goes further by proposing to continue the current payment levels and offset the costs for the next two years with specific health savings and assumes sustainable growth rate relief in future years will be fully offset, consistent with recent congressional action. The Administration is committed to working with the Congress to achieve permanent, fiscally responsible reform and to give physicians incentives to improve quality and efficiency, while providing them with predictable payments for the care they furnish to Medicare beneficiaries.

Reduces Fraud, Waste, and Abuse in Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). In June, 2010, the President announced a goal of reducing the Medicare fee-for-service improper payment rate to half of its current level by 2012. The Budget puts forward a robust set of proposals to reach the President's goal, as well as to strengthen

Medicare and Medicaid program integrity more broadly. For example, the Budget proposes requiring State Medicaid agencies to track and monitor prescription drug billing, prescribing, and utilization patterns that could be indicative of abuse; it also proposes limiting State financing practices that increase Federal Medicaid spending, starting in 2015, as recommended by the National Commission on Fiscal Responsibility. Additionally, it provides $581 million in discretionary program integrity funding to implement activities to reduce the payment error rate and enhance civil and criminal enforcement for Medicare, Medicaid, and CHIP. The Budget also prioritizes effective implementation and application of program integrity tools and resources that were provided by the ACA, including enhanced provider screening and participation requirements, improved data analysis capabilities, expanded overpayment recovery activities, and enhanced law enforcement authorities. As a result, the Administration will be better able to minimize inappropriate payments, protect against fraud, and provide greater value for program expenditures to beneficiaries and taxpayers.

Increases Affordability and Reduces Costs for Prescription Drugs Across Federal Programs. The high cost of prescription drugs is a burden for many Americans. The Administration will accelerate access to more affordable pharmaceuticals that will lead to cost savings for consumers and health programs across the Federal Government. The President's Budget includes two proposals to increase availability of generic drugs by providing the Federal Trade Commission authority to stop drug companies from entering into anticompetitive agreements intended to block consumer access to safe and effective generics, and hastening availability of generic biologics while retaining the appropriate incentives for research and development for the innovation of breakthrough products.

Undertakes a New Approach to Preventing Chronic Diseases through a Consolidated and Reformed Chronic Disease Program. The Administration creates a new Comprehensive Chronic Disease Prevention Program (CCDPP) by consolidating Centers for Disease Control and Prevention (CDC) Heart Disease and Stroke, Diabetes, Cancer, Arthritis and other Conditions, Nutrition, Health Promotion, Prevention Centers, and select school health activities into one competitive grant program. These inter-related conditions share many common risk factors and interventions that would benefit from coordinated, collaborative implementation with consolidated leadership and oversight to foster collaboration and coordination and improve efficiency among these specific programs. The CCDPP also provides States with additional flexibility to address the top five leading causes of death, while increasing accountability and improving health outcomes. This new approach will improve overall health outcomes while also strengthening accountability of Federal resources.

Maintains Continuity of Coverage for Low-Income Individuals. The Budget extends Transitional Medical Assistance, which provides continued Medicaid eligibility for welfare recipients transitioning to work, and the Qualified Individuals program, which pays Medicare Part B premiums for qualified low-income seniors.

Strengthens the Health Professions Workforce. Strengthening the primary care workforce is critical to reforming the Nation's health care system. Increasing access to primary care health providers can help prevent disease and illness, ensure all Americans have access to high-quality care, and reduce costs by decreasing the need for more invasive treatment that could have been prevented through early care. To increase access to this type of care, the Administration provides increased resources for primary care training and support for health care providers who choose to enter primary care in medically underserved areas. In total, the Budget includes investments that will help train more than 4,000 primary care providers estimated to enter the workforce over the next five years. In addition, because health workforce needs and solutions are not all the same across the country, the Federal Government will partner with States to plan for and implement their own innovative solutions to increase the number of primary care providers in their States.

Improves Access to Health Care for American Indians and Alaska Natives (AI/ANs). The Budget includes $4.624 billion for the Indian Health Service (IHS) to strengthen Federal, tribal, and urban programs that serve 1.9 million AI/ANs at approximately 650 facilities nationwide. The Administration will also expand access to critical Contract Health Services to cover health care services provided outside of the Indian health system when services are not available at IHS-funded facilities. In addition, the Administration funds staff and operating costs at new and expanded facilities to increase access to health care services and enhance the Indian health system.

Invests in Science for a Healthy Economy

Supports Biomedical Research at the National Institutes of Health (NIH). Biomedical research is essential to the health of the American people and the health of our economy. Innovation in this field creates and sustains companies, products, and jobs. The Budget includes $32 billion for basic and applied biomedical research supported by NIH both on-campus and at academic and independent research institutions across the country. Through implementation of the National Center for Advancing Translational Sciences and the Cures Acceleration Network, NIH will increase its focus on bridging the translational divide between basic science and therapeutic applications. By fostering novel collaborations among government, academia, and industry, NIH will accelerate the development of treatments for diseases and disorders that affect millions of Americans. NIH will continue to pursue the leading edge of discovery in basic cancer science, development of new cancer treatments, and prevention and early detection of cancer, focusing on recent discoveries regarding cancer genomes. For Alzheimer's disease, NIH is partnering with the private sector to find new methods for early diagnosis and to support early drug discovery and preclinical drug development. Ongoing research into environmental factors, early detection, and novel treatments will transform our understanding and care for those with autism spectrum disorders.

Strengthens the Nation's Preparedness Against Naturally Occurring Threats and Intentional Attacks. The Administration provides $765 million to enhance the advanced development of next generation medical countermeasures against chemical, biological, radiological and nuclear threats. Additionally, $655 million is provided to ensure the availability of medical countermeasures from the Strategic National Stockpile during a public health emergency. The Department has invested $6.5 billion since 2005 to enhance the Nation's ability to rapidly respond to an influenza pandemic. During the 2009 H1N1 pandemic, the Department built on these investments using funds appropriated for H1N1 response by the Congress in a pandemic influenza supplemental, as well as existing funds, for a total of $5.3 billion. Remaining pandemic influenza funding has been allocated to enhance preparedness for future pandemics and other public health emergencies, including an extensive long-term effort to improve the Nation's medical countermeasure enterprise. In 2012, HHS will continue to use these resources to build the U.S.-based advanced manufacturing facilities for vaccines and other biologics and support the development of recombinant and molecular vaccines.

Bolsters the Safety of the Nation's Food and Medicines. The Budget includes $2.7 billion in budget authority and $4.4 billion in total program resources for the Food and Drug Administration (FDA). The Budget enables FDA to further the core principles recommended by the President's Food Safety Working Group and implement key elements of the Food Safety Modernization Act. The Administration will work with the Congress to enact additional food safety fees to support the full implementation of the FDA Food Safety Modernization Act and the Budget reflects the collection of these fees in 2013 and beyond. In 2012, FDA will advance efforts to implement the ACA provisions to establish a pathway to approve biosimilar products and to improve nutrition labeling. To better protect health in response to natural or intentional threats, the Administration also invests in FDA's efforts to advance regulatory science and support the review of new medical countermeasures for chemical, radiological, biomedical, and nuclear threats.

Keeps America Healthy

Makes Sound Investments in Proven Prevention Strategies. The Administration promotes wellness and reduces the national burden of chronic disease by allocating $1 billion within the Prevention and Public Health Fund (Fund), which was included in the ACA. The Budget allocates $1 billion within the Fund for activities that have demonstrated improved health outcomes and will help reduce health care costs. The Budget also establishes a new Baby Friendly Hospital Initiative to promote breastfeeding, and supports new Community Transformation grants to improve the health of the Nation. Within CDC, the Budget also includes $47 million to reduce healthcare associated infections (HAIs) and expands reporting of HAIs through hospitals and Ambulatory Surgical Centers.

Continues Critical Funding for Health Centers. Health centers are a key component of the Nation's health care safety net. These sites offer comprehensive, high quality, primary and preventative health care services to all Americans regardless of ability to pay. Health centers will continue to be a critical element of the health system as the Nation expands insurance coverage through the ACA. In 2009, the Recovery Act provided $500 million to expand health center services to an additional 2 million patients. The ACA continues this progress by investing a total of $2.2 billion in new resources for health center services in 2011 and 2012. The Budget builds on this investment by providing an additional $2.1 billion. In 2012, health centers are estimated to serve 24 million patients.

Invests in Mental Health and Substance Abuse Prevention Efforts. Within the Substance Abuse and Mental Health Services Administration (SAMHSA), the Administration provides $535 million for prevention services targeting early risk factors that can improve behavioral health outcomes for children and young adults. To assist military members and their families with the effects of deployment, the Administration supports a new $10 million initiative to increase access to mental health and substance abuse prevention, treatment, and recovery services. The Budget also includes $154 million for behavioral health supportive services for homeless individuals and families with mental and substance abuse disorders to transition into permanent supportive housing.

Supports the National HIV/AIDS Strategy and Expands Access to Treatment, Care, and Prevention. The Budget expands access to HIV/AIDS prevention and treatment activities and supports the goals of the National HIV/AIDS Strategy: reducing HIV incidence, increasing access to care and optimizing health outcomes, and reducing HIV-related health disparities. The Budget prioritizes HIV/AIDS resources within high burden communities and among high-risk groups, including men who have sex with men, African Americans, and Hispanics and realigns resources within CDC, Health Resources and Services Administration, SAMHSA, and the Office of the Secretary to support the National HIV/AIDS Federal Implementation Plan. The Administration also increases resources for the Ryan White program to expand access to life-saving HIV-related medications. The Budget also improves health outcomes by allowing CDC and States to transfer up to 5 percent across HIV/AIDS, tuberculosis, sexually transmitted diseases, and hepatitis programs to improve coordination and integration. The Budget includes $22 million for the Enhanced Comprehensive HIV Prevention program for metropolitan areas most affected by the HIV epidemic.

Provides Services for Vulnerable Populations in a Cost-Effective Way

Continues Strong Support for High-Quality Early Childhood Programs. Because effective investment in early childhood is so critical to children's ability to reach their full potential and the Nation's future economic health, the Budget includes $8.1 billion for Head Start and

Early Head Start to serve approximately 968,000 children and families, maintaining the historic expansion undertaken with Recovery Act funds. The Budget similarly includes an additional $1.3 billion to support 1.7 million children with child care subsidies. At the same time, the Budget invests in improved quality: supporting a $350 million competition among States to improve program quality through the Early Learning Challenge Fund; proposing a Child Care Development Block Grant reauthorization that focuses on improving quality, protecting health and safety, and strengthening early learning; and supporting proposed regulations to strengthen Head Start by requiring low-performing programs to compete for funding.

Reforms Foster Care to give Children Greater Safety and Permanency. The Administration proposes improvements in the foster care system to prevent child abuse and neglect and keep more children safely in their homes and out of long-term foster care. The proposal fixes broken financing rules that too often fail children by providing new incentives for States to improve child outcomes, streamlining administrative procedures, and testing innovative approaches to improving outcomes. At the same time, the proposal maintains legal protections for children and preserves a funding entitlement for States.

Supports Responsible Fatherhood. The Budget encourages fathers to take responsibility for their children by changing policies so that more of fathers' child support reaches their children while continuing a commitment to vigorous enforcement. The Budget increases support for States to pass through child support payments to families, rather than retaining those payments, and encourages States to provide access and visitation services that can improve a father's relationship with his family. The Budget targets additional State incentives based on performance, which continues an emphasis on program outcomes and efficiency.

Supports Seniors. The Budget includes $96 million for the Administration's Caregiver Initiative, an effort to expand help to families and seniors so that caregivers can better manage their multiple responsibilities and seniors can live in the community for as long as possible. Without creating new programs, this initiative provides new resources to support the network of agencies in local communities across the country that already provide critical help to seniors and caregivers. The Budget also transfers the Senior Community Services Employment Program from the Department of Labor to HHS' Administration on Aging where the program can operate successfully with fewer resources through improved coordination with other efforts to promote seniors' health, wellness, and independence.

Brings Cost of LIHEAP Down to Previous Levels. During this period of tough budget choices, the President's Budget provides $2.57 billion for the Low Income Home Energy Assistance Program (LIHEAP) to help struggling families make ends meet by offsetting some of their home heating and cooling costs. The Budget does not re-propose the creation of a LIHEAP funding trigger included in previous budget requests, but the Administration is continually monitoring energy prices, and if they should spike again, we would explore what level of LIHEAP funding would be necessary. The LIHEAP program doubled in 2009 following an energy spike, but energy prices are now significantly lower, and the prior level is no longer sustainable. The 50 percent funding reduction brings funding back to the level before the energy price spike.

Cuts and Reforms the Community Services Block Grant. The Budget cuts funding for the Community Services Block Grant (CSBG) by 50 percent. CSBG provides funding for the important work of Community Action Agencies, but does not hold these agencies accountable for outcomes. The Budget provides $350 million to fund the highest performing Community Action Agencies so that scarce taxpayer dollars are targeted to high-performing agencies that are most successful in meeting important community needs.

Department of Health and Human Services
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Food and Drug Administration [1]	2,597		2,744
Program Level (non-add)	*3,284*		*4,360*
Health Resources and Services Administration	7,506		6,821
Indian Health Service	4,053		4,624
Centers for Disease Control and Prevention	6,467		5,893
National Institutes of Health	30,784		31,829
Substance Abuse and Mental Health Services Administration	3,431		3,387
Agency for Healthcare Research and Quality	—		—
Program Level (non-add)	*397*		*366*
Centers for Medicare and Medicaid Services (CMS) [2,3]	3,734		4,397
Discretionary Health Care Fraud and Abuse Control	311		581
Administration for Children and Families	17,334		16,180
Administration on Aging	1,513		2,237
General Departmental Management	498		364
Program Level (non-add)	*600*		*650*
Office of Civil Rights	41		47
Office of the National Coordinator for Health Information Technology	42		57
Program Level (non-add)	*61*		*78*
Office of Medicare Hearing and Appeals	71		81
Public Health and Social Services Emergency Fund	1,345		595
Office of Inspector General	50		53
All other	48		51
Subtotal, Discretionary budget authority	79,826	81,334	79,941
Unallocated BioShield balances transferred from Department of Homeland Security [4]	2,424	—	—
Total, Discretionary budget authority	82,250	81,334	79,941
Memorandum:			
Budget authority from supplementals	*215*	—	—
Total, Discretionary outlays [3]	89,255	91,417	88,619
Mandatory Outlays:			
Medicare			
Existing law [5]	446,616	489,319	468,522
Legislative proposal	—	—	17,282
Medicaid and Children's Health Insurance Program (CHIP)			
Existing law	280,658	285,418	279,346
Legislative proposal	—	—	-297

Department of Health and Human Services—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
All other [6]			
Existing law	37,645	43,636	38,130
Legislative proposal	—	22	1,209
Total, Mandatory outlays [2]	764,919	818,395	804,192
Total, Outlays	854,174	909,812	892,811
Credit Activity			
Direct Loan Disbursements:			
Consumer Operated and Oriented Plan Financing	—	—	593
Total, Direct loan disbursements	—	—	593
Guaranteed Loan Disbursements:			
Health Center Guaranteed Loan Finance	—	17	17
Total, Guaranteed loan commitments	—	17	17

1 FDA budget authority reported to Treasury for 2010 is $235 million higher than actual available budget authority due to the timing of FDA user fee collections.

2 The CMS budget authority and outlay total for 2010 includes approximately $320 million that is misclassified as discretionary rather than mandatory.

3 Amounts appropriated to the Social Security Administration (SSA) from the Hospital Insurance and Supplementary Medical Insurance accounts are included in the corresponding table in the SSA chapter.

4 In 2010, $3,033 million from the Bioshield Special Reserve Fund (SRF) was transferred from the Department of Homeland Security to the Department of Health and Human Services. Of this amount, $609 million was redirected to support Advanced Development and NIH, and $2,424 million remains as balances in the SRF. In 2011, $476 million from the SRF will be used to support the Biomedical Advanced Research and Development Authority.

5 Includes $149 million in 2010, $902 million in 2011, and $480 million in 2012 of CMS Program Management mandatory funding. SSA funding from the Medicare Improvements for Patients and Providers Act is included in the corresponding table of the SSA chapter.

6 Funding for the Centers for Medicare and Medicaid Innovation is included with all other mandatory outlays.

DEPARTMENT OF HOMELAND SECURITY

Funding Highlights:

- Provides $43.2 billion, an increase of $309 million above the 2010 enacted level. Increases were made in core homeland security functions such as border security and Coast Guard assets. Savings are achieved by the elimination of stove-piped and duplicative State and local grant programs, administrative costs, and professional contract services.
- Refocuses funding for border surveillance on technologies that have proven to work, allowing for a tailored approach in different border regions instead of the previous one-size-fits-all approach.
- Bolsters the Nation's preparedness by providing $3.8 billion for State and local grants to support capability enhancements for the first responder and emergency management communities.
- Safeguards the Nation's transportation systems with an $82 million increase to support deployment of up to 1,275 Advanced Imaging Technology screening machines at airport checkpoints, with robust, built-in privacy safeguards.
- Strengthens border security and immigration enforcement by supporting 21,370 Border Patrol agents and by enhancing and expanding immigration verification systems.
- Supports the Comprehensive National Cyber Security Initiative efforts to secure information networks and defend against cyber-threats to Federal networks, the Nation's critical infrastructure, and economy.
- Upgrades the Coast Guard's assets by providing $358 million to construct six more Fast Response Cutters and $130 million to construct two more Maritime Patrol Aircraft.
- Supports military families through a $9 million increase for Coast Guard-sponsored child care services.

The Department of Homeland Security (DHS) is the principal Federal agency charged with the vital missions of preventing terrorism and enhancing security, securing and managing America's borders, enforcing and administering immigration laws, safeguarding and securing cyberspace, and ensuring resilience to disasters. The Nation's security in these areas is not only critical to our safety, but also to the continued growth of our economy and long-term global competitiveness. The President's Budget includes $43.2 billion to support these missions, an increase of $309 million, or 0.7 percent, from the 2010 enacted level. Increases were made in core homeland security functions such as border security through new Customs and Border

Protection officers, and modernizing and replacing Coast Guard assets. Although not subject to the President's freeze on non-security discretionary spending, the Department identified cost savings. Specifically, the Administration proposes to eliminate stove-piped and duplicative State and local grant programs through consolidation and cutting over $450 million from administrative costs and professional contract services.

Maximizes Federal Security Dollars

Refocuses Border Surveillance Funding on Technologies that Have Proven to Work. The Administration supports a refocus of border surveillance technology funding toward existing and proven technology that will help secure the Nation's borders. The Budget includes $242 million to acquire technologies that will complete the optimum border security technology lay down in three sectors in Arizona. This technology initiative is tailored to the unique needs of each border region—beyond the prior, one-size-fits-all approach—and will result in the faster deployment of security technology, better overall coverage for situational awareness and agent protection, and ultimately a more effective and efficient deployment strategy. An assessment of the technology mix for the remaining Southwest border sectors will be completed in 2011 and will inform future resource needs.

Supports Effective Disaster Response and Better Targets Support for First Responders by Eliminating Duplicative Programs. Americans rely on the Nation's first responders to help them through a crisis, from natural disaster to terrorist attack. Accordingly, $3.8 billion is provided for State and local programs to equip, train, exercise, and hire first responders. To better target these funds, the Budget proposes the elimination of six stove-piped and duplicative stand-alone grant programs, consolidating them into broader State or local grants that are awarded based on risk. This approach provides greater flexibility for State and local officials to fill critical homeland security capability gaps while promoting cost-effectiveness and improving impact. This structure and the funding proposed in the Budget continues to focus on the highest priority State and local homeland security initiatives and maintains critical State and local support personnel. The Administration also supports disaster response and resilience efforts by funding the Disaster Relief Fund (DRF) at $1.8 billion. The DRF is used by the Federal Emergency Management Agency, in the event of a presidentially-declared disaster or emergency, to assist State and local governments in response, recovery, and mitigation.

Reduces Lower Priority Administrative Functions to Bolster Critical Mission Operations. The Budget targets limited resources to the Department's highest Federal mission priorities. Over $450 million in cuts to consulting and professional service contracts as well as reductions in travel, printing, supplies, and advisory services are reflected in the Budget. These reductions result from the Secretary of Homeland Security's department-wide efficiency reviews and the President's Accountable Government Initiative. These cost savings have been used to expand DHS' mission operations including rolling out the latest in aviation screening technology and support staff to safeguard the traveling public, strengthening the border by deploying new security technology, and expediting the removal of criminal aliens to secure our communities.

Protects the Homeland

Safeguards the Nation's Transportation Systems. The Administration's request will support the deployment of an additional 275 new Advanced Imaging Technology (AIT) screening machines at airport checkpoints, for a total of 1,275 AITs by the end of 2012. AIT machines allow security officers to detect both metallic and non-metallic anomalies such as weapons and explosives on persons entering an airport's sterile area. Privacy measures include maintaining anonymity between those being screened and those viewing the image and the inability to store or transmit images captured by AIT. Additionally, the Budget includes $273 million in funding to support both recapitalization and deployment of new explosives detection systems in the Nation's airports. The Administration proposes $58 million for the continued modernization and streamlining of transportation security vetting and credentialing, which will reduce redundant TSA processes and systems. The modernization effort will support vetting and credentialing programs for individuals requiring access to the transportation infrastructure. This initiative affects the security of critical infrastructure and will be achieved though a unifying business integration effort that will establish an interface with numerous other systems, such as U.S. VISIT's IDENT and the FBI's Criminal Justice Information System.

Strengthens Border Security and Immigration Verification Programs. The President's Budget includes funding to support 21,370 Border Patrol agents and funds an additional 300 new Customs and Border Protection (CBP) Officers for passenger and cargo screening, as well as expansion of pre-screening operations at foreign airports and land ports of entry. This increase will reduce wait times and increase seizures of unlawful items. Additionally, beginning in 2011, CBP will incorporate new measures to assess the security of our borders. These new measures will provide insight on how increases in technology and the deployment of personnel and infrastructure along the Southwest border improve the security of specific border sectors. In addition, the Budget proposes $132 million to enhance and expand immigration-related verification programs at U.S. Citizenship and Immigration Services. Through E-Verify, U.S. employers can maintain a legal workforce by verifying the employment eligibility of their workers, while the Systematic Alien Verification for Entitlements program assists Federal, State, and local benefit-granting agencies with determining eligibility for benefits by verifying immigration status. These programs promote compliance with immigration laws and prevent individuals from obtaining benefits they are not eligible to receive.

Protects Critical Information Networks. Information networks are central to the functioning of America's economy and the Nation's security. The Administration proposes $459 million to support the operations of the National Cyber Security Division, which protects Federal systems, and sustains efforts under the Comprehensive National Cybersecurity Initiative to protect the Nation's information networks from the threat of attacks or disruptions. The benefits of this investment extend beyond the Federal sphere and will also help strengthen private sector capabilities.

Promotes Citizenship and Integration. The Administration increases support for integration of new immigrants, proposing $20 million to promote citizenship through education and preparation programs, replication of promising practices in integration for use by communities across the Nation, and expansion of innovative English-learning tools.

Invests Significantly in Upgrading the Coast Guard's Surface, Air, and Shore Assets. The Coast Guard-led response to the Deepwater Horizon explosion and oil spill, the largest spill response in our Nation's history, reinforced the critical importance of response assets. The Administration proposes $358 million to construct six more Fast Response Cutters and $130 million to construct two more Maritime Patrol Aircraft. Funding of $65 million enables the Coast Guard to continue full rate production of their search and rescue communications system, Rescue 21. The Administration provides $93 million to recapitalize aging shore facilities that support the effective and efficient execution of all Coast Guard missions.

Supports Coast Guard Families. The Budget enhances the quality of life for Coast Guard personnel by investing in Coast Guard-owned family housing developments. These investments will expand access to suitable and affordable housing for Coast Guard members and their families assigned to areas where there are documented shortages. Additionally, it provides $9 million more for Coast Guard-sponsored child care services to enable more Coast Guard families to take advantage of the assistance and to achieve accreditation by the National Association for the Education of Young Children.

Department of Homeland Security
(In millions of dollars)

	Actual	Estimate	
	2010	2011	2012
Spending			
Discretionary Budget Authority:			
Departmental Management and Operations	1,131		1,302
Office of the Inspector General	130		144
Citizenship and Immigration Services	235		365
United States Secret Service	1,490		1,699
Immigration and Customs Enforcement	5,440		5,495
Customs and Border Protection	10,117		10,380
Transportation Security Administration	5,515		5,114
Federal Law Enforcement Training Center	282		276
National Protection and Programs Directorate	1,444		1,428
United States Coast Guard	8,594		8,677
Federal Emergency Management Agency	7,116		6,790
Science and Technology	999		1,177
Domestic Nuclear Detection Office	376		331
Subtotal, Discretionary budget authority (net)	42,869	43,589	43,178
Less BioShield Transfer to HHS	–3,033		—
Total, Discretionary budget authority (net)	39,836	43,589	43,178
Memorandum:			
Budget authority from supplementals	*5,460*	—	—
Overseas Contingency Operations	*242*	*254*	*258*
Total, Discretionary outlays	45,948	48,915	46,342
Mandatory Outlays:			
Citizenship and Immigration Services	2,374	2,542	2,602
Federal Emergency Management Agency	–899	–838	–337
Customs and Border Protection	1,108	1,403	1,471
United States Coast Guard	1,704	1,329	1,647
All other	–5,764	–5,270	–4,812
Total, Mandatory outlays	–1,477	–834	571
Total, Outlays	44,471	48,081	46,913

Department of Homeland Security—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Credit activity			
Direct Loan Disbursements:			
Disaster Assistance	34	257	—
Total, Direct loan disbursements	34	257	—

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Funding Highlights:

- Provides a gross spending (program) level of $48 billion, an increase of over $900 million over 2010 and a net level of $42 billion, a decrease of $1.1 billion from 2010. To help deliver on the President's commitment to reduce spending, funding for several grant programs has been reduced below recent enacted levels and increases were made only for the neediest Americans, including an initiative to combat homelessness.
- Continues to deliver a high level of housing counseling services, including assistance for families in danger of foreclosure, and continues to offer loss mitigation solutions for FHA-insured borrowers similarly at risk.
- Improves public housing and revitalizes surrounding neighborhoods by providing $250 million to continue HUD's transformative investments in high-poverty neighborhoods where distressed HUD-assisted public and privately owned housing is located.
- Invests in sustainable, innovative communities by providing $150 million to create incentives for more communities to develop comprehensive housing and transportation plans that result in sustainable development, reduced greenhouse gas emissions, and increased transit-accessible housing.
- Supports an interagency effort led by HUD and the Department of Commerce's Economic Development Administration to help distressed cities and regions utilize public resources more strategically and forms partnerships to support job creation and economic development.
- Reduces funding for the Community Development Block Grant Program by $300 million. The reduced funding level will continue to enable State and local governments to address infrastructure, affordable housing, and economic development needs in their communities.
- Provides $35 billion to preserve rental housing assistance to 4.7 million low-income families and $200 million to begin the transformation of HUD-assisted public and privately-owned housing, and thereby prevent the loss of critical affordable units, by leveraging private capital for preservation.
- Provides more than $2.5 billion to continue progress toward the Administration's goal to end chronic homelessness and homelessness among veterans and families, implementing an innovative, multi-agency strategic plan.

The Department of Housing and Urban Development (HUD) supports home ownership, access to affordable housing free from discrimination, and community development. Affordable housing and a healthy mortgage market are especially critical to America's continued recovery and long-term economic health. The President's Budget provides $48 billion excluding receipts to support these efforts, an increase of over $900 million over 2010 and a net level of $42 billion, a decrease of $1.1 billion from 2010. To help deliver on the President's commitment to reduce spending, funding for several grant programs has been reduced below recent enacted levels, including a $300 million reduction to the Community Development Block Grant. In this constrained fiscal environment, increases were made only for the neediest Americans. An increase of $577 million above the 2010 enacted level is made to combat homelessness. This funding supports the comprehensive strategy outlined in the Administration's evidence-based Federal Strategic Plan to End Homelessness.

Supports the Housing Sector and the Economic Recovery

Supports the Mortgage Market and Helps Borrowers who are at Risk of Foreclosure. The Administration projects that the Federal Housing Administration (FHA) will insure $218 billion in mortgage borrowing in 2012, supporting new home purchases and re-financed mortgages that significantly reduce borrower payments. FHA financing was used by 38 percent of all homebuyers, 60 percent of African American homebuyers, and 61 percent of Hispanic families who purchased homes in 2009. It also is a vital financing source for first-time homeowners, roughly 30 percent of whom use FHA insured financing. But FHA is also a vital option for homeowners facing foreclosure. FHA's loss mitigation program minimizes the risk that financially struggling borrowers go into foreclosure. Since the start of the mortgage crisis, it has helped more than half a million homeowners. The Budget continues the restructured premium levels that FHA implemented in October 2010, and includes another premium increase planned for this year. These will boost FHA's capital reserves—to better protect the taxpayer against the risk of net credit losses by the program—and increase Federal revenues. The Budget also includes $168 million for housing and homeowner counseling through HUD and the Neighborhood Reinvestment Corporation (NeighborWorks). Over half of these funds are dedicated to foreclosure assistance. NeighborWorks' National foreclosure Mitigation Counseling program has assisted over 1 million households since its inception in 2008.

Rehabilitates and Transforms HUD-Assisted Housing and Distressed Neighborhoods. The Budget provides $250 million for the Choice Neighborhoods initiative to continue transformative investments in high-poverty neighborhoods where distressed HUD-assisted public and privately-owned housing is located. The Budget will reach five to seven neighborhoods with grants that primarily fund the preservation, rehabilitation and transformation of HUD-assisted public and privately-owned multifamily housing, and will also engage local governments, nonprofits, and for-profit developers in partnerships to improve surrounding communities. This initiative is a central element of the Administration's interagency, place-based strategy to support local communities in developing the tools they need to revitalize neighborhoods of concentrated poverty into neighborhoods of opportunity. The Budget reflects a strategy in which HUD, the Department of Justice, the Department of Education, the Department of Health and Human Services, and other agencies will work together, co-investing, and pooling their expertise as part of a focused Neighborhood Revitalization Initiative.

Supports Sustainable Communities and Innovative Infrastructure Planning. The Budget sustains support for the multi-agency Partnership for Sustainable Communities, one of the pillars of the Administration's place-based agenda. The Budget includes $150 million to create incentives for more communities to develop comprehensive housing and transportation plans that result in sustainable development, reduced greenhouse gas emissions, and increased transit-accessible housing. This amount will allow more communities to achieve these purposes, in addition to the over 100 grants recently awarded across the country by HUD, the Department of Transportation (DOT), and the Environmental Protection Agency (EPA). As a part of this effort, up to $5 million will be used to improve energy efficiency in HUD-assisted public and privately-owned housing through better energy use data collection and analysis. Combined with DOT's funding for strengthening State and local infrastructure capacity and EPA's technical assistance, this Partnership aims to lower the cost of living while improving the quality of life for families. This will work in concert with the Administration's proposal for surface transportation re-authorization, a multi-pronged approach to improve and expand infrastructure investment to accelerate economic growth.

Improves the Way Federal Dollars are Spent

Assists Cities in Using Their Funds More Effectively to Support Job Creation. The Budget supports the launch of an interagency effort led by HUD and the Department of Commerce's Economic Development Administration (EDA) to help communities to better employ the Federal investments they already receive, promote high-impact strategies, and build the local capacity needed to execute those strategies in economically distressed areas. This effort will enable these communities to create more effective partnerships with businesses and non-profits that will attract critical private investments to promote job creation. With leveraged support from HUD, other Federal agencies, and the philanthropic community, the Federal Government offers targeted EDA funds, technical assistance, and a National Resource Bank—a "one-stop shop" of experts that communities can draw upon for a full range of services, including fiscal reforms, repurposing land use, and business cluster and job market analysis.

Reduces Funding for the Community Development Block Grant (CDBG) Program. The Budget reduces funding for the CDBG by 7.5 percent or $300 million relative to current funding levels. This is a tough choice that balances the need to decrease the budget deficit with the tough fiscal conditions confronting State and local governments. These flexible funds will allow 1,200 State and local grantees to improve infrastructure, build and rehab affordable housing, and create and retain jobs.

Leverages Private Capital to Preserve Public Housing and Other Critical Affordable Rental Housing. The Budget includes a $200 million demonstration project and rigorous evaluation of the conversion of up to 255,000 public housing units to long-term project-based rental assistance contracts that will leverage private capital to reduce the huge backlog of capital repair needs and provide tenants with a meaningful option to move to different neighborhoods. Through similar conversions, the Transforming Rental Assistance Initiative will preserve 7,600 privately-owned, HUD-assisted units at risk of leaving the affordable housing stock. Over the last decade, more than 180,000 such units have left the stock. This initiative will also make it easier for families to use vouchers to move to opportunity-rich neighborhoods, through competitive grants to housing authorities to address mobility barriers, and a demonstration program to test the impact and cost-effectiveness of alternative approaches to mobility assistance.

Reduces Funding for New Housing Construction for Seniors and Persons with Disabilities. The Budget provides a total of $953 million for the Housing for the Elderly and Housing for Persons with Disabilities Programs, which is a $172 million cut relative to the 2010 enacted level. Preserving assistance to all existing units is the top funding priority. The Administration is committed to working with the Congress to update and reform these programs so that project sponsors can maximize use of the funding for new construction by effectively leveraging and targeting investments based on need and by providing residents access to key services required to age in place or live independently.

Provides Housing Opportunities

Preserves Affordable Rental Opportunities. The President's Budget requests $19.2 billion for the Housing Choice Voucher program to help more than two million extremely low- to low-income families with rental assistance to live in decent housing in neighborhoods of their choice. The Budget funds all existing mainstream vouchers and provides new vouchers targeted to homeless veterans, families, and the chronically homeless. The Administration remains committed to working with the Congress to improve the management and budgeting for the Housing Choice Voucher program, including reducing inefficiencies, and re-allocating Public Housing Authority reserves based on need and performance. The Budget also provides $9.4 billion for Project-Based Rental Assistance to preserve approximately 1.3 million affordable units through increased funding for contracts with private owners of multifamily properties. This critical investment will help extremely low- to low-income households obtain, or retain, decent, safe and sanitary housing.

Funds the Federal Strategic Plan to End Homelessness. The Budget for HUD provides over $2.5 billion to make progress toward the goals of the Federal Strategic Plan to End Homelessness, which was released by the Administration in June 2010. This includes over $2.3 billion for Homeless Assistance Grants to maintain existing units and expand prevention, rapid re-housing, and permanent supportive housing, and $145 million in new housing vouchers for over 19,000 homeless veterans and homeless persons who receive health care and other services through the Departments of Health and Human Services and Veterans Affairs. In addition, the Budget provides $50 million for new service coordinators and incentive fees, which will motivate housing authorities to serve more homeless persons. These funding increases will enable HUD to assist approximately 78,000 additional homeless individuals and families.

Addresses the Housing Needs of Native American Tribes. The Budget provides $700 million for the Native American Housing Block Grant program, which helps mitigate the severe housing needs many Native Americans continue to face. This program is the primary source of funding for housing on tribal lands, and provides over 550 Tribes with funding for vital housing activities, such as construction, rehabilitation, and operations.

Department of Housing and Urban Development
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Community Development Fund	4,405		3,804
Sustainable Housing and Communities (non-add)	*150*		—
Sustainable Housing and Communities	—		150
HOME Investment Partnerships Program	1,807		1,650
Homeless Assistance Grants	1,852		2,372
Housing Opportunities for Persons with AIDS	332		335
Tenant-based Rental Assistance	18,084		19,223

Department of Housing and Urban Development—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Project-based Rental Assistance	8,558		9,429
Public Housing Operating Fund	4,760		3,962
Public Housing Capital Fund	2,475		2,405
Transforming Rental Assistance	—		200
Choice Neighborhoods/HOPE VI	198		250
Native American Housing Block Grant	700		700
Housing for the Elderly	817		757
Housing for Persons with Disabilities	297		196
Federal Housing Administration (FHA)	–2,956		–5,336
Government National Mortgage Association	–1,004		–598
Salaries and Expenses	2,000		1,791
Policy Development and Research	48		57
All other	308		392
Total, Discretionary budget authority	42,831	41,590	41,739
Memorandum:			
Budget authority from supplementals	*67*	—	—
Total, Discretionary outlays	49,504	49,520	49,811
Mandatory Outlays:			
Federal Housing Administration (FHA)	8,843	9,002	–1,245
Community Planning and Development	1,563	1,494	755
Housing Trust Fund (non-add)	—	—	10
All other programs	231	798	78
Total, Mandatory outlays	10,637	11,294	–412
Total, Outlays	60,141	60,814	49,399
Credit activity			
Direct Loan Disbursements:			
Emergency Homeowners' Relief	—	412	229
FHA	—	50	50
Government National Mortgage Association	1	9	9
Green Retrofit Program for Multifamily Housing	56	27	—
Total, Direct loan disbursements	57	498	288
Guaranteed Loan Commitments:			
FHA	334,770	404,451	344,375
Government National Mortgage Association	412,953	290,000	278,000
All other	748	1,179	674
Total, Guaranteed loan commitments	748,471	695,630	623,049

DEPARTMENT OF THE INTERIOR

Funding Highlights:

- Provides $12 billion, which is roughly the same as in previous years. This reflects increases in land and water conservation programs as well as increased funding for oversight of offshore oil and gas drilling. Savings are achieved through decreases in the U.S. Geological Survey, significant reductions to construction programs across the Department, and some tribal program reductions.
- Supports the development of new solar, wind, and geothermal electricity generation capacity, which can create jobs, drive growth and mitigate the effects of climate change.
- Promotes water conservation through programs like the water reuse and recycling effort and WaterSMART, and continues restoration of sensitive ecosystems such as the California Bay-Delta.
- Provides over $500 million to restructure the Bureau of Ocean Energy Management, Regulation and Enforcement and strengthen oversight of offshore oil and gas operations in the aftermath of the unprecedented Deepwater Horizon explosion and oil spill.
- Improves the return to taxpayers from mineral production on Federal lands and waters through royalty reforms and industry fees.
- Conserves landscapes and promotes outdoor recreation and youth employment in national parks, refuges, and on other public lands through the America's Great Outdoors initiative.
- Reduces the environmental impacts of coal and hardrock mining by dedicating and prioritizing funds to reclaim abandoned mines.
- Strengthens Native American communities through the Tribal Law and Order Act of 2010 with funding to reduce crime and protect natural resources.

The Department of the Interior's (DOI) mission is to protect and manage the Nation's natural resources and cultural heritage; provide scientific and other information about those resources; and honor its trust responsibilities or special commitments to American Indians, Alaska Natives, and Insular areas. With this function in mind, as the Nation's economy continues to grow, the President's 2012 Budget provides $12 billion for DOI, which is roughly the same as in previous years, and includes mandatory proposals that would save the Treasury about $3 billion over 10 years. This reflects a continued increase in land and water conservation programs—an Administration priority—and an increase for offshore oil drilling oversight in the wake of the Gulf Coast oil spill. As with all Departments, cuts had to be made in other worthy areas including construction programs for tribal facilities, national parks, wildlife refuges, and public lands.

Invests in Clean Energy Development and Natural Resources for Economic Growth

Funds the Development of Clean Energy and Tackles the Challenges of a Changing Climate. To enhance energy security, create green jobs in new industries, and mitigate the effects of climate change, the Administration proposes key funding increases for renewable energy development and Federal natural resource stewardship. The Budget includes $73 million to maintain capacity to review and permit new renewable energy projects on Federal lands, with the goal of permitting at least 9,000 megawatts of new solar, wind, and geothermal electricity generation capacity on DOI-managed lands by the end of 2011. The Administration proposes funding for a framework of climate science centers and landscape conservation cooperatives that will assist Federal land managers and other affected land, water and wildlife professionals to respond to changes in water resources and habitat due to climate change. The Budget proposes $48 million for the U.S. Geological Survey to take charge of the Landsat satellite program, which collects remote sensing data that are invaluable for many purposes, including natural resource management and climate research.

Protects and Restores Water Resources and Infrastructure. The Administration continues to focus resources on the Department's Water Conservation activities, including the Bureau of Reclamation's water reuse and recycling (Title XVI) and WaterSMART grant programs. The Bureau of Reclamation is also helping to bring reliable water supplies through its rural water program to a number of Western States. Moreover, in coordination with other Federal agencies, States, and other stakeholders, the Department is also participating in activities and dedicating resources to foster continued progress in the restoration of a number of sensitive ecosystems, including the California Bay-Delta.

The Administration's water policy goals are dependent upon Federal agencies working together and with State and local governments, Tribes, industry, and the agriculture sector. This outreach and cooperation enables Federal agencies to better identify gaps in information, incorporate stakeholder input, reduce barriers to effective action, and eliminate redundancies. This cooperation has led to numerous actions the Administration has taken to improve national water policy, including: reducing the environmental impacts of surface mining in Appalachia and developing a national framework of reliable, unbiased and current data on freshwater resources. In 2012, the Administration implements the Claims Resolution Act of 2010 with funding for newly enacted water settlements.

Improves the Way Federal Dollars Are Spent

Reorganizes and Reforms the Bureau of Ocean Energy Management, Regulation and Enforcement (BOEMRE) to Increase Oversight of Offshore Drilling. In the wake of the Deepwater Horizon disaster and subsequent oil spill, the Administration has initiated comprehensive reforms in BOEMRE, the agency that manages offshore oil and gas drilling on the Nation's Outer Continental Shelf (OCS). In addition to establishing greater independence for a new safety and environmental enforcement agency being created as a result of the incident, the Administration is aggressively implementing management reforms to strengthen oversight of OCS oil and gas operations. These investments are consistent with recommendations for stronger oversight made by the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling in their January 2011 report. The Budget proposes over $500 million to restructure BOEMRE; hire new oil and gas inspectors, engineers, scientists, and other key staff to oversee industry operations; establish real-time monitoring of key drilling activities; conduct detailed engineering reviews of offshore drilling and production safety systems; and implement more aggressive reviews of company oil spill response plans. These reforms will also facilitate the timely review of offshore oil and gas permits.

Reduces Funding for Construction Projects. As with all Departments, cuts had to be made in other worthy areas including construction programs for tribal facilities, national parks, wildlife refuges, and public lands. In total, construction costs are reduced from 2010 levels by 36 percent in order to target funds for the highest priority programs.

Provides a Better Return to Taxpayers from Mineral Development. The public received about $9 billion in 2010 from fees, royalties, and other payments related to oil, gas, coal, and other mineral development on Federal lands and waters. A number of recent studies by the Government Accountability Office and DOI's Inspector General have found that taxpayers could earn a better return through more rigorous oversight and policy changes, such as charging appropriate fees and reforming how royalties are set. The Budget proposes a number of actions to receive a fair return from the development of U.S. mineral resources:

- Charging a royalty on select hardrock minerals (such as silver, gold and copper).
- Terminating unwarranted payments to coal-producing States and Tribes that no longer need funds to clean up abandoned coal mines.
- Extending net receipts sharing, where States receiving mineral revenue payments help defray the costs of managing the mineral leases that generate the revenue.
- Charging user fees to oil companies for processing oil and gas drilling permits and inspecting operations on Federal lands and waters.
- Establishing fees for new non-producing oil and gas leases (both onshore and offshore) to encourage more timely production.
- Making administrative changes to Federal oil and gas royalties, such as adjusting royalty rates and terminating the royalty-in-kind program.

Protects America's Natural Resources and Heritage

Conserves Landscapes and Ecosystems and Promotes Outdoor Recreation. The America's Great Outdoors (AGO) initiative supports Federal, State, local, and tribal conservation efforts while reconnecting Americans, particularly young people, to the outdoors. DOI plays a critical role in AGO by conserving natural and cultural resources, protecting wildlife, and providing recreational opportunities in national parks, refuges, and public lands. The Administration maintains support for land management operations, and fully funds at $900 million the Land and Water Conservation Fund (LWCF) programs in the Departments of the Interior and Agriculture. The 2012 Budget leverages and integrates efforts of the Fish and Wildlife Service, the National Park Service, the Bureau of Land Management, and the U.S. Forest Service, along with States, Tribes and others, to conserve the most critical landscapes. This includes $200 million for State LWCF grants, some of which will be competitively awarded to address priorities and leverage resources for urban parks and public-private conservation projects. The Administration also proposes funding for key grant and partnership programs, such as the Challenge Cost Share and historic preservation programs, and reauthorizes DOI's authority under the Federal Land Transaction Facilitation Act to use proceeds from the sale of low-conservation value lands to acquire additional high-priority conservation lands.

Reduces the Environmental Impacts of Mining. The Budget mitigates the environmental impacts of mining by dedicating and prioritizing funds to clean up abandoned mines and by strengthening the regulation of active coal mining. For abandoned coal mines, DOI currently charges industry an abandoned mine land (AML) fee and allocates receipts to States based on production, rather than on reclamation needs. The Administration proposes to target these coal AML fee receipts at the most hazardous sites through a new competitive allocation process with State participation. It also proposes to establish a new AML fee on hardrock mining, with receipts allocated through a competitive process to reclaim abandoned hardrock mines, so that the hardrock mining industry is held responsible in the same manner as the coal mining industry. As for current coal mining, the Administration proposes increased funding for DOI to improve oversight, as part of an interagency effort to reduce the environmental impacts of surface coal mining in Appalachia.

Strengthens Tribal Nations. In support of tribal self-determination, the Administration increases funding to compensate Tribes for the work they perform in managing Federal programs under self-determination contracts and self-governance compacts. The Administration continues to focus attention on combating crime in Indian Country through cooperative efforts by Federal, State and tribal entities. In July 2010, the President signed the Tribal Law and Order Act, which addresses many of the public safety challenges that confront tribal communities. In support of these efforts, the Administration proposes funding to operate six new detention centers that were constructed with Recovery Act funds. It also increases funds for tribal courts and additional law enforcement officers, coordinates community policy programs to reduce crime, and protects natural resources in Indian Country.

Department of the Interior
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Bureau of Land Management	1,156		1,132
Bureau of Ocean Energy Management, Regulation and Enforcement	191		132
Office of Surface Mining	163		146
Bureau of Reclamation/CUPCA	1,140		1,051
United States Geological Survey	1,112		1,118
United States Fish and Wildlife Service	1,651		1,695
National Park Service	2,781		2,922
Bureau of Indian Affairs	2,619		2,501
Office of the Special Trustee	186		152
All other	1,150		1,280
Wildland Fire (non-add)	*858*		*822*
Subtotal, Gross discretionary budget authority	12,149	12,086	12,129
Mandatory Savings Proposals			–72

Department of the Interior
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Total, Discretionary budget authority	12,149	12,086	12,057
Memorandum:			
Budget authority from supplementals	*16*	—	—
American Recovery and Reinvestment Act rescission	*–7*	—	—
Total, Discretionary outlays	12,877	14,062	13,102
Mandatory Outlays:			
Cobell Settlement			
Payments from the Judgment Fund	—	-2,000	—
Payments for Trust Land Purchasing	—	100	—
All other			
Existing law	423	936	923
Legislative proposals	—	—	–113
Total, Mandatory outlays	423	-964	810
Total, Outlays	13,300	13,098	13,912
Credit activity			
Guaranteed Loan Commitments:			
Indian Guaranteed Loan Program	119	108	45
Total, Guaranteed loan commitments	119	108	45

DEPARTMENT OF JUSTICE

Funding Highlights:

- Provides $28.2 billion, a 2 percent increase above 2010. This reflects strong funding for Federal law enforcement efforts including FBI operations, corrections officers, and prosecution. Savings are achieved by streamlining operations along with reductions to local and State grants and technology projects.
- Supports the continued robust efforts to crack down on financial fraud, which have already brought charges for fraud schemes that have cost victims more than $8 billion in estimated losses nationwide.
- Maintains litigation efforts and ongoing investigations regarding the Deepwater Horizon oil spill.
- Increases funding for the Department's national security programs, which are critical for countering the threat of terrorism.
- Streamlines programs and redirects funding to improve the capabilities of Department of Justice law enforcement agents.
- Addresses the Federal prison population through sentencing reform and expanded re-entry programming.
- Continues to strengthen State and local criminal justice programs with almost $3 billion in discretionary assistance for police hiring, general purpose criminal justice assistance, violence against women programs, and other initiatives.

The Department of Justice (DOJ) is responsible for enforcing the law and defending the interests of the United States; ensuring public safety against foreign and domestic threats; providing Federal leadership in preventing and controlling crime; punishing those guilty of unlawful behavior; and ensuring fair and impartial administration of justice for all Americans. To this end, the President's 2012 Budget provides $28.2 billion, a 2 percent increase above 2010. The Budget prioritizes key areas of Federal law enforcement including FBI operations, corrections officers, and prosecution. In order to eliminate redundancies and target resources, the Administration streamlines a number of law enforcement programs. Sentencing reforms are made to help stabilize the growth of the prison population and address associated long-term costs. Due to fiscal constraints, important trade-offs were necessary in local and State grants, which are reduced by $588 million from the 2010 enacted level, including $194 in TRS million from the State Criminal Alien Assistance Program, which will be better targeted to fulfill its purpose. In addition, the

Budget includes $49 million in savings generated by delaying upgrades and reducing spending on technology projects. Finally, the Budget proposes to save an additional $107 million by streamlining operations and consolidating duplicative programs.

Protects the Nation

Supports Litigation Efforts to Protect Civil Rights, Consumers, Intellectual Property, and the Environment. The Budget proposes $3 billion for the Department's litigation components. The Administration continues to support funding for the Attorney General's financial fraud task forces, which have already brought charges against 343 criminal defendants and 189 civil defendants for fraud schemes that harmed more than 120,000 victims throughout the country, involving more than $8 billion in estimated criminal losses and more than $2.1 billion in estimated civil losses. Financial crimes such as these not only threaten the financial stability of families, but also the stability of our entire economy and our continued recovery. In the wake of the Deepwater Horizon oil spill, the Administration also maintains recent supplemental funding for investigations and additional attorneys. The substantial investments that have been made in Civil Rights enforcement during this Administration also continue in the 2012 Budget. The Budget also proposes an increase for the Community Relations Service to fight hate crimes. In addition, the Budget includes funding in the Criminal Division for more intellectual property specialists who will focus on enforcing U.S. intellectual property interests in strategic locations worldwide.

Counters the Threat of Terrorism and Strengthens National Security. Combating the threat of terrorism remains a top priority for the Department of Justice—not only for the safety of our citizens, but also the security of our economy and information, which are critical to the Nation's global competitiveness. The Administration supports critical national security programs within the Department, including the FBI and the National Security Division. The Budget will substantially improve intelligence gathering by expanding cyber-investigative capacity and supporting a newly established high-value interrogation group (HIG).

Improves the Way Federal Dollars are Spent

This Administration is committed to a smarter allocation of resources for crime prevention and public safety; one that utilizes Federal resources more efficiently and effectively to address the wide range of criminal justice and national security threats facing the Nation. The President's Budget was informed by a data-driven analysis of the Federal criminal justice system intended to target resources in a more effective manner.

Explores Improvements to Cost-Effectiveness of Criminal Prosecutions. An additional $2 million is requested to analyze data to identify and assess cost-effective crime reduction strategies. The additional funding will be used by the U.S. Attorneys to ensure that law enforcement investigations are conducted in a manner that leads to strong case presentation and results in effective prosecutions, thereby improving the effectiveness of all of the Department's law enforcement activities. The requested enhancement will enable the U.S. Attorneys to work with the Bureau of Justice Statistics and a broader community of interest to expand the use of data analysis techniques and to quantitatively assess the impacts of different crime reduction programs.

Reduces Duplication and Realigns Investigative Resources. The Administration proposes $12.5 billion for the Department's law enforcement components—the FBI, DEA, ATF, and U.S. Marshals. These agencies conduct investigations that, at later stages of the criminal justice system, lead to cases presented for prosecutions and convictions that result in incarceration. While providing needed increases in some areas, the Budget redirects resources away from duplicative task forces. The Budget provides funding to improve the capabilities of law enforcement agencies, including funding to ensure that Federal law enforcement retains the ability to execute lawful communications intercepts.

Advances Reform and Fiscally-Sound Alternatives to Incarceration. Successful investigations lead to arrests, prosecutions and convictions—often resulting in incarceration. The Administration proposes $8.4 billion for the operations of the Office of the Federal Detention Trustee and the Bureau of Prisons, and will help stabilize the prison population by advancing evidence-based sentencing reform legislation. The Administration will continue to explore fiscally-sound, data-driven administrative procedures to address population stress on the prison system such as expanded use of alternatives to incarceration, increased reliance on risk assessments, and diversion for non-violent offenders. In addition, drug treatment and prisoner re-entry programs will be expanded to enhance returning prisoners' prospects for successful re-entry. Prison overcrowding also will be addressed through the activation of a newly constructed prison at Aliceville, Alabama, which will add more than 1,750 beds.

Makes Targeted Investments and Tough Choices for State and Local Assistance Initiatives

Ends Funding for Grant Earmarks. The 2010 enacted appropriation for DOJ's grant components included 1,312 earmarks totaling more than $470 million. Not only does the Budget not propose to continue such funding, the President has announced his intent to veto any appropriation containing earmarks. While the 2011 Continuing Resolution does not include earmarks, it is not clear that the funding associated with previously earmarked programs will continue in any eventual 2011 appropriation.

Reduces Funding for the State and Criminal Alien Assistance Program. The Budget proposes a reduction of $194 million from the 2010 enacted level for the State Criminal Alien Assistance Program (SCAAP). With the $136 million funding level proposed by the Budget, efforts will continue to focus on removal of criminal aliens through programs such as ICE's Secure Communities. Further, under the Administration's proposal, SCAAP will make payments to States and localities only for those inmates who have verified status as illegal aliens. Payments for "unknowns" (58 percent of the program in 2010) will be discontinued.

Reduces Funding for Juvenile Justice and Child Safety Programs. The Budget proposes a reduction of $50 million from the 2010 enacted level for Juvenile Justice and Child Safety programs (net of reductions of $91 million to programs that were earmarked in 2010), refocusing many formula and other grants into a new $120 million Race to the Top style grant that rewards States for tangible improvements in juvenile justice systems. The Budget also provides $30 million for the Adam Walsh Act implementation and invests in new efforts such as the Attorney General's Children Exposed to Violence Initiative ($25 million).

Invests in First Responders. The Budget provides $600 million to support our Nation's first responders and the hiring and retention of about 4,500 police officers and sheriffs' deputies across the country.

Strengthens Efforts to Combat Violence Against Women. The Budget provides $591 million to strengthen efforts to combat the staggering level of violence against women—over half a million violent crimes were committed against women by an intimate partner in 2009.

Supports Tribal Criminal Justice Assistance. The Budget provides $244 million in funding and set-asides for tribal criminal justice assistance. Tribal areas experience some of the highest crime rates in the Nation.

Invests in Jail Diversion Programs. The Budget provides $187 million in prisoner re-entry and jail diversion programs, including $100 million for the Second Chance Act programs and $57 million for drug, mental health, and other problem-solving courts.

Supports Neighborhood Revitalization Initiative. The Budget provides $30 million for the Byrne Criminal Justice Innovation Program, which supports the Administration's multi-agency Neighborhood Revitalization Initiative by directing resources where they are needed in higher-risk neighborhoods, integrating public safety, housing services, and other investments.

Department of Justice
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Federal Bureau of Investigation	7,749		8,076
Drug Enforcement Administration	2,050		2,012
Federal Prison System	6,185		6,791
United States Marshals Service	1,151		1,253
Bureau of Alcohol, Tobacco, Firearms, and Explosives	1,121		1,147
Detention Trustee	1,439		1,595
United States Attorneys	1,935		1,995
General Legal Activities	877		955
National Security Division	88		88
Office of Justice Programs, Office of Community Oriented Policing Services, Office on Violence Against Women	3,552		2,964
Organized Crime and Drug Enforcement Task Force	527		541
All other	925		754
Subtotal, Discretionary budget authority	27,599	30,351	28,171
Less Crime Victims' Fund discretionary offset	—	–5,820	–6,641
Less Assets Forfeiture Fund cancellation	—	–387	–620
Total, Discretionary budget authority	27,599	24,144	20,910
Memorandum:			
Budget authority from supplementals	*206*	—	—
FBI Overseas Contingency Operations	*101*	—	—
Total, Discretionary outlays	27,736	26,731	24,074
Mandatory Outlays:			
Existing law	1,828	6,770	8,977
Legislative proposal	—	—	100
Total, Mandatory outlays	1,828	6,770	9,077
Total, Outlays	29,564	33,501	33,151

DEPARTMENT OF LABOR

Funding Highlights:

- Provides $12.8 billion, a 5 percent reduction from the 2010 enacted level. This reflects a shift in investments to a new Workforce Innovation Fund and increases for worker protection and mine safety programs. The Budget achieves savings through a reduction in funding for the Senior Community Service Employment Program, and transfers it to the Department of Health and Human Services to improve coordination with other programs for seniors. The Budget also includes a 25 percent reduction in the Job Corps construction budget.
- Invests almost $380 million in the Departments of Labor and Education for a competitive "Workforce Innovation Fund" that will allow States and regions to compete for funds by demonstrating their commitment to transforming their workforce systems, including breaking down program silos and paying programs for success.
- Supports reform of the Workforce Investment Act to match unemployed workers with jobs and to give workers a chance to upgrade their skills to compete in the global economy.
- Provides short-term relief for businesses in States with indebted Unemployment Insurance systems, coupled with opportunities for States to improve the long-term solvency of these systems so that they can pay back their debts and provide adequate benefits when they are needed.
- Expands the use of work-sharing, allowing firms to retain workers by reducing employees' weekly hours instead of having to lay them off and giving workers a partial unemployment check to supplement their reduced paycheck.
- Safeguards workers' pensions by encouraging companies to fully fund their employees' promised pension benefits and assuring the long-term solvency of the Federal pension insurance system.
- Increases support for agencies that protect workers' wages, benefits, and health and safety and reduces the inappropriate misclassification of employees as independent contractors.
- Assists families who need to take time off to care for a child or other loved one by helping States launch paid leave programs.
- Creates new opportunities to save for retirement by establishing a system of automatic workplace pensions and doubling the small employer pension plan start-up credit.

The Department of Labor is charged with promoting the welfare of workers, job seekers, and retirees, which are all key Administration priorities as our economy continues to recover and we work toward strengthening America's competitive edge globally. The Budget reflects the need to make sacrifices in many areas in order to invest in job creation and boost competitiveness for years to come. Accordingly, the President's Budget provides $12.8 billion for the Department of Labor—a reduction of 5 percent from the 2010 enacted level. To support effective job training programs, the Budget shifts resources from an underutilized portion of formula grants for States to a new Workforce Innovation Fund. The Budget achieves savings through a reduction in funding for the Senior Community Service Employment Program, and transfers it to the Department of Health and Human Services. The Budget also proposes a 25 percent reduction in the Job Corps construction budget. The Budget increases funding for worker protection and mine safety programs that were underfunded in the previous administration and are critical to Americans' health and safety.

Invests in a Competitive Workforce

Creates a Competitive Workforce Innovation Fund to Encourage New Approaches to Job Training. To prompt States, regions, and localities to come forward with promising ideas and make sure the job training system continues to evolve, the President's Budget sets aside almost $380 million to establish a Workforce Innovation Fund, paired with broader waiver authority, that will test new ideas and replicate proven strategies for delivering better employment and education results at a lower cost per outcome. The Departments of Labor and Education will jointly administer the Fund, in consultation with other agencies such as the Department of Health and Human Services. The initiative will fund a competition among States and regions to implement bold systemic reforms that break down barriers between programs and provide rewards based on outcomes, particularly in serving disadvantaged populations. Like the new Trade Adjustment Assistance Community College and Career Training Grants, the Innovation Fund will create incentives for grantees to consider evidence in designing their programs, collect better data to know what is working well and what is not, and find ways to make program dollars stretch further. The Department is also providing Workforce Data Quality grants to States to improve systems for collecting data on education and employment outcomes.

Improves the Job Training System. To compete in the global economy, we need skilled workers who can access opportunities to upgrade and hone their skills as their career progresses and technology changes. The Budget provides nearly $10 billion for Workforce Investment Act (WIA) programs at the Departments of Labor and Education to match unemployed people with jobs and give individuals with skill gaps the training they need to secure family-sustaining employment. The Administration is committed to improving the quality of the services WIA supports, and will work with the Congress on a reauthorization bill that streamlines service delivery and breaks down program silos, better meets the needs of employers and regional economies, holds the system accountable for serving all workers and job-seekers well, and promotes innovation and reform based on what works.

Achieves Efficiencies and Reduces Future Liabilities

Reduces Cost and Improves Outcomes in Senior Community Service Employment Program (SCSEP). Because difficult choices had to be made in order to invest in programs that would yield the highest returns, the Budget reduces funding for SCSEP by 45 percent and transfers the program to the Department of Health and Human Services to improve coordination with other senior-serving programs. This change will not only create savings in a fiscally-restrained time, but also improve program operations and eliminate redundancies.

Cuts Job Corps Construction Budget. Job Corps provides valuable education and career training for many disadvantaged young people, but as all agencies are working to identify savings, the Budget reduces the program's construction budget by 25 percent.

Strengthens the Unemployment Insurance Safety Net. Many States' unemployment insurance (UI) systems are chronically underfunded and the economic downturn has severely tested their adequacy, leaving 31 States in debt at the end of 2010. These debts are now being repaid through additional taxes on employers, which undermine much-needed job creation. To provide short-term relief to these States, the Budget provides a two-year suspension of State interest payments on their debt and automatic increases in Federal unemployment insurance taxes. At the same time, the Budget encourages States to put their UI systems on firmer financial footing so they can pay back their debts to the Federal government and better respond to future economic conditions. The Budget does so by increasing the minimum level of wages subject to unemployment taxes to $15,000 starting in 2014, indexed after that. In 2014, the taxable wage base will be nearly the same in real terms as it was in 1982, when President Reagan signed into law the last legislation increasing the wage base. In addition, in 2014, the Federal tax rate will also be lowered to avoid a Federal tax increase.

Improves Program Integrity in Unemployment Insurance (UI). UI benefits should go to the right workers in the right amounts. When States have to finance high levels of improper payments, employers face higher taxes and workers may see cuts in their benefit levels. Despite the efforts of States to reduce improper payments, over $15 billion in UI benefits were erroneously paid in 2010, and the overpayment rate reached 11 percent, an increase from the previous year. The Administration will tackle this problem by boosting funding for UI integrity efforts and proposing legislative changes that would reduce improper payments and employer tax evasion.

Shores up the Pension Benefit Guaranty Corporation to Protect Worker Pensions. The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to protect pension payments for workers whose companies have failed. When underfunded plans terminate, PBGC assumes responsibility for paying the insured benefits; more than 1.5 million workers and retirees already look to PBGC for their benefits and PBGC insures plans covering 40 million others. However, the PBGC's pension insurance system is itself underfunded, and the PBGC's liabilities exceed its assets. The PBGC receives no taxpayer funds and its premiums are currently much lower than what a private financial institution would charge for insuring the same risk. PBGC is unable to adjust its premiums to reflect a company's financial condition and the risks to its pensions. The Budget proposes to give the PBGC Board the authority to adjust premiums and directs PBGC to take into account the risks that different sponsors pose to their retirees and to PBGC. This will both encourage companies to fully fund their pension benefits and ensure the continued financial soundness of PBGC. In order to ensure that these reforms are undertaken responsibly during challenging economic times, the Budget would require two years of study and public comment before any implementation and the gradual phasing-in of any increases. This proposal is one component of the Administration's ongoing strategy to make the PBGC more accountable and efficient, while strengthening the defined benefit pension system for the millions of American workers who rely on it for retirement security. This proposal is estimated to save $16 billion over the next decade.

Protects American Workers and Provides Relief During Economic Recession

Maintains Strong Support for Worker Protection. The Budget includes $1.8 billion for the Department's worker protection agencies, putting them on sound footing to meet their responsibilities to protect the health, safety, wages, and working conditions, and retirement security of the Nation's workforce. The Budget preserves previous funding increases to rebuild the Department of Labor agencies' enforcement capacity, and provides additional targeted increases to:

- *Protect the Safety and Health of Miners.* The Federal Mine Safety and Health Review Commission's large backlog creates an unacceptable delay in holding bad-actor operators accountable for risking miners' lives and puts the health and safety of America's miners at risk. The Budget provides funding to continue the backlog-reduction efforts and makes key improvements in the capacity of the Mine Safety and Health Administration (MSHA) to enforce safety and health laws, including important investments to improve dust sampling and prevent new cases of occupational black lung disease. The Administration also supports legislation that provides MSHA with stronger enforcement tools to ensure mine operators meet their responsibility to protect their workers.

- *Detect and Deter the Misclassification of Workers as Independent Contractors.* When employees are misclassified as independent contractors, they are deprived of benefits and protections to which they are legally entitled, such as overtime and unemployment benefits. Misclassification also costs taxpayers money in lost funds for the Treasury and in the Social Security, Medicare, and Unemployment Insurance Trust Funds. The Budget includes $46 million to combat misclassification, including $25 million for grants to States to identify misclassification and recover unpaid taxes and $15 million for personnel at the Wage and Hour Division to investigate misclassification.

- *Enhance Protections for Whistleblowers.* The Budget includes an additional $5 million to bolster the Occupational Health and Safety Administration's enforcement of 19 laws that protect workers and others who are retaliated against for reporting unsafe and unscrupulous practices. These resources will be paired with administrative efforts to improve the transparency and effectiveness of the program.

Encourages State Paid Family and Medical Leave Initiatives. Too many families must make the painful choice between the care of their families and a paycheck they desperately need. The Family and Medical Leave Act allows workers to take job-protected unpaid time off, but millions of families cannot afford to use unpaid leave. A handful of States have enacted policies to offer paid family leave, but more States should have the chance. The Budget supports a $23 million State Paid Leave Fund within the Department of Labor that will provide competitive grants to help States cover their start-up costs that choose to launch paid-leave programs.

Expands Work-Sharing. To help employers keep workers on the job, the Budget will encourage States to expand use of short-time compensation. Also known as work-sharing, this voluntary employer program helps firms retain workers by reducing employees' weekly hours instead of laying them off. Workers with reduced hours receive a partial unemployment check to supplement their reduced paycheck. The Budget will provide temporary Federal financing of short-time compensation benefits and encourage States to adopt and expand use of the program.

Establishes Automatic Workplace Pensions. Currently, 78 million working Americans—roughly half the workforce—lack employer-based retirement plans. The Budget proposes a system of automatic workplace pensions that will expand access to tens of millions of workers who currently lack pensions. Under the proposal, employers who do not currently offer a retirement plan will be required to enroll their employees in a direct-deposit IRA account that is compatible with existing direct-deposit payroll systems. Employees may opt-out if they choose. To minimize costly burdens on small businesses, the smallest firms would be exempt.

Doubles the Small Employer Pension Plan Startup Credit. Under current law, small employers are eligible for a tax credit equal to 50 percent (up to a maximum of $500 a year for three years) of the start-up expenses of establishing or administering a new retirement plan. To make it easier for small employers to offer pensions to their workers in connection with the automatic IRA proposal, the Budget will increase the maximum credit from $500 a year to $1,000 per year.

Department of Labor
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Spending			
Discretionary Budget Authority:			
Training and Employment Services	3,829		3,627
Unemployment Insurance Administration	3,257		3,287
Employment Service/One-Stop Career Centers	788		849
Office of Job Corps	1,708		1,700
Community Service Employment for Older Americans [1]	825		—
Bureau of Labor Statistics	611		647
Occupational Safety and Health Administration	559		583
Mine Safety and Health Administration	365		384
Wage and Hour Division	225		241
Office of Federal Contract Compliance Programs	103		109
Office of Labor-Management Standards	41		41
Office of Workers' Compensation Programs	108		124
Employee Benefits Security Administration	155		198
Veterans Employment and Training	256		261
Bureau of International Labor Affairs	93		102
Office of the Solicitor	128		133
Foreign Labor Certification	68		66
Office of Disability Employment Policy	39		39
State Paid Leave Fund	—		23
Office of the Inspector General	84		84
All other	308		326
Total, Discretionary budget authority (including supplementals)	13,550	13,992	12,824
Memorandum: Budget authority from supplementals	*18*	—	—
Total, Discretionary outlays	14,855	14,582	13,722
Mandatory Outlays:			
Unemployment Insurance Benefits:			
Existing law	146,142	130,007	93,191
Legislative proposal	—	—	–56

Department of Labor—Continued
(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Trade Adjustment Assistance:			
Existing law	614	1,204	1,286
Legislative proposal	—	124	415
Pension Benefit Guaranty Corporation [2]	–1,333	–619	–782
Black Lung Benefits Program	299	296	300
Federal Employees' Compensation Act:			
Existing law	216	183	350
Legislative proposal	—	—	–10
Energy Employees Occupational Illness Compensation Program Act	1,074	1,016	983
American Recovery and Reinvestment Act Weekly Unemployment Supplement	11,839	1,920	259
All other [3]	–650	–693	–632
Total, Mandatory outlays	158,201	133,438	95,304
Total, Outlays	173,056	148,020	109,026

[1] The Budget proposes to transfer the Community Service Employment for Older Americans to the Department of Health and Human Services.
[2] The Budget proposal that would increase PBGC premiums would have no outlay effects until 2014.
[3] Net mandatory outlays are negative when offsetting collections exceed outlays.

DEPARTMENT OF STATE AND OTHER INTERNATIONAL PROGRAMS

Funding Highlights:

- Provides $47 billion for the Department of State and the U.S. Agency for International Development, a 1 percent increase from 2010, when costs for Overseas Contingency Operations are excluded. Significant levels of funding are continued for operations and assistance in Iraq, Afghanistan, and Pakistan. Increases are made in the areas of food security and global health. Savings have been created through foreign assistance reductions in several countries.
- Makes strategic investments essential for U.S. national security in a time of constrained resources, and strengthens core diplomatic and development activities essential for U.S. global leadership.
- Promotes U.S. exports and economic growth by supporting the President's National Export Initiative through increased resources for the Export-Import Bank.
- Supports implementation of the Presidential Policy Directive on Global Development by targeting investments that will support economic growth, democratic governance, game-changing innovations, sustainable capacity, and mutual accountability, especially through initiatives in global health, climate change, and food security.
- Invests in multilateral institutions, including the multilateral development banks, leveraging resources from other donor partners and supporting key countries and Administration priorities.
- Reduces bilateral programs and the Assistance for Europe, Eurasia and Central Asia account to focus funding on regions with the greatest assistance needs.
- Reduces funding for the African Development and Inter-American Foundations by nearly 20 percent and directs the organizations to seek partnerships to leverage and maximize remaining funding.
- Continues a multi-year initiative to strengthen U.S. diplomatic and development expertise in countries of the greatest strategic importance.
- Advances efforts to address national security challenges through a cooperative approach that includes funding to support a Global Security Contingency Fund that integrates Defense and State resources to address security crises involving both agencies.
- Supports U.S. Agency for International Development operational and programmatic improvements, including reforms to procurement systems and investments in science and technology, innovation, and monitoring and evaluation.

The Department of State, the U.S. Agency for International Development (USAID), and other international programs advance the national security interests of the United States through global engagement, partnership, and the promotion of universal values. By investing in civilian diplomatic and development power alongside defense, we take an integrated approach to solving global problems and support the mutually reinforcing elements of the President's national security strategy. The President's Budget proposes $47 billion for the Department of State and USAID, excluding costs for Overseas Contingency Operations, a 1 percent increase from 2010. To support the Administration's ongoing efforts in key regions, significant levels of funding are continued for operations and assistance in Iraq, Afghanistan, and Pakistan. Increases are made in the areas of food security to help prevent political instability and reduce hunger, and global health to reduce the incidence of disease and strengthen local health systems. Although not subject to a freeze in funding, the Department is committed to finding efficiencies, cutting waste, and focusing on key priorities. Accordingly, foreign assistance to several countries has been eliminated. Additionally, efficiency gains have dramatically reduced the costs of treating AIDS through the Global Health Initiative, and future savings will be realized through changes to USAID's operating model to encourage local ownership and facilitate the phasing-down of such funding.

Maintains U.S. Global Leadership

Encourages Economic Growth through Support for the National Export Initiative. Exports are a critical part of economic growth and driver of job creation, which is why the President set a goal of doubling exports over five years. To that end, the Administration provides funds for the Export-Import Bank to strengthen its efforts to promote small business exports and to meet increased financing demands at no cost to the taxpayer. This will support billions of dollars in new exports and hundreds of thousands of U.S. jobs. The Administration also supports U.S. Trade and Development Agency activities to promote U.S. exports for priority development projects in emerging economies.

Supports the Presidential Policy Directive on Global Development. In September, the President signed a Presidential Policy Directive on Global Development, the first of its kind by a U.S. administration. The Administration requests $27 billion to support the Presidential Policy Directive on Global Development by focusing on sustainable development outcomes and placing a premium on broad-based economic growth, democratic governance, game-changing innovations, and sustainable systems for meeting basic human needs.

Fights Hunger and Expands Food Security Efforts. Greater food insecurity can lead to violence, political instability, and tension between nations. The Administration includes funding for agriculture development and nutrition programs as part of a multi-year plan—as well as a G-8 commitment—by making strategic investments that address the root causes of hunger and poverty and lift a significant number of people out of poverty, and reduce malnutrition for millions of children under five years old by 2015. The Administration provides funding through bilateral assistance and a multi-donor facility administered by the World Bank for poor countries that make policy and financial commitments to address their internal food security needs. Assistance helps countries increase agricultural productivity, improve agricultural research and development, and expand markets and trade, as well as monitors and evaluates program performance. The Administration also maintains strong support for food aid and other humanitarian assistance, including $4.2 billion to help internally displaced persons, refugees, and victims of armed conflict and natural disasters.

Saves Lives and Strengthens Health Systems in Developing Countries. The President's Global Health Initiative (GHI) will save millions of lives while fostering sustainable health care delivery platforms through increased investments in global health. We invest in global health to promote social and economic progress and support the rise of capable partners who can help us solve regional and global problems. The GHI will achieve ambitious health outcome targets by focusing on country-led strategies to address the full range of developing country health needs in an integrated way while strengthening partner-country health systems. The GHI supports innovation by investing in promising technologies and bringing potential advances to scale. Overall, the Administration will invest $9.8 billion in the GHI and continues to pursue the ambitious health outcome targets laid out in the GHI strategy document and seek efficiencies in program delivery.

Encourages Low-Emission, Climate-Resilient Economic Growth for Developing Countries. Climate change knows no borders and its effects can impact the U.S. economy and national security. The Administration makes strategic climate change investments to reduce global greenhouse gas emissions by focusing on scalable investments, leveraging outside resources, and taking a global view of the most effective climate investments through three key programmatic areas: 1) Clean Energy investments through multilateral institutions like the Clean Technology Fund and bilateral activities that focus on energy efficiency, renewable energy, and energy sector reforms to support sustainable energy deployment; 2) Sustainable Landscapes, which include bilateral investments in improving estimation, monitoring and quantifying emissions, as well as forest governance through allocations to the Forest Investment Program; and 3) Adaptation to the effects of climate change for Sub-Saharan Africa, least developed countries, small island states, and glacier-dependent nations, which will witness the greatest impacts of climate change.

Funds Multilateral Development Banks and Promotes Good Governance. The Administration continues support for the multilateral development banks, which invest in key strategic countries like Afghanistan and Pakistan, in Administration priorities such as food security and climate change, and leverage significant resources from other donors. Through funding for the Millennium Challenge Corporation, the Administration supports developing countries that invest in their people, rule justly, and support economic freedom.

Invests in Long-Term Partnerships in Iraq, Afghanistan, and Pakistan. The Budget continues significant levels of funding for operations and assistance in Iraq, Afghanistan, and Pakistan within the base budget while extraordinary and temporary costs are requested as Overseas Contingency Operations funding. Base resources requested to support strong, long-term partnerships with these countries include core diplomatic and development operational support funding and economic development, health, education, governance, security, and other assistance programs necessary to reinforce development progress and ensure stability.

Sustains Improvements in Diplomatic Capacity. The Budget supports critical gains made since 2008 toward building diplomatic capacity. It sustains recent gains in Foreign Service growth, including those proposed in the 2011 Budget, and responds to evolving worldwide security threats in order to protect our employees and facilities overseas. The Budget continues the Capital Security Construction Program and expands the scope of investments to ensure that the United States properly plans and budgets for the life cycle needs of facilities. The Budget also reflects ongoing consolidation of management operations overseas to capture further efficiencies in the field and to allocate new and tenured personnel to the highest priority posts overseas.

Reduces Costs and Improves Planning

Reduces Bilateral Programs. Entire bilateral programs in six countries have been eliminated, and the Assistance for Europe, Eurasia and Central Asia account has been reduced by $115 million in order to focus funding on regions with the greatest assistance needs. While important U.S. national security interests and development challenges remain in the region, the reduction reflects the success of sustained U.S. assistance efforts over the last 20 years and the perception that several countries are firmly on track to membership in Euro-Atlantic institutions.

Eliminates Bilateral Security Assistance for Several Countries. Several countries will no longer receive bilateral security assistance funding, as resources are being focused on countries with strategic significance. This reprioritization will be made across a range of accounts and activities including eliminating bilateral requests for five countries within the Foreign Military Financing account and nine countries within the International Military Education and Training account. Requested security assistance funds will become more focused on key priorities including program funding for Israel, Pakistan, and other coalition partners and allies, as well as programs that are critical to containing transnational threats including terrorism and trafficking in narcotics, weapons, and persons.

Reduces Funding for African Development and Inter-American Foundations. The African Development and Inter-American Foundations have been cut by nearly 20 percent and directed to reduce their overhead and seek partnerships to leverage their remaining funds. These partnerships will allow the foundations to continue grassroots development efforts at current levels while more closely aligning programs to Administration development objectives.

Advances Interagency Assistance Planning. The Budget builds on past efforts that included establishment of the Civilian Stabilization Initiative (now Conflict Stabilization Operations) and Complex Crises Fund by establishing a new funding mechanism to facilitate greater joint Department of Defense-State planning, funding, and execution of security sector and stabilization assistance programs worldwide. The Global Security Contingency Fund will serve as an important pilot for efforts to use pooled funds to better integrate planning and budgeting to meet national security needs.

Supports USAID Initiative to Make Operations More Efficient and Effective. The Budget includes support for the Administration's new operational model that underscores the importance of country ownership and sustainability with the goal of helping countries graduate from the need for foreign assistance. A key element of this effort is USAID's Implementation and Procurement Reform Initiative, which supports contracting and grants to more and varied local partners; increases the number of in-house procurement specialists; and creates partnerships with host countries through improved procurement systems. Another component of the effort is increased investments in science, technology, and innovation with the goal of finding game-changing innovations with the potential to solve long-standing development challenges. This funding will take a venture capital-like approach to supporting high-risk high-reward projects that are brought to increasing scale as they demonstrate impact.

Improves Efficiency of Foreign Affairs Operations. Although foreign affairs funding is not part of the freeze on non-security discretionary spending, it is critical that these funds are used in a way that maximizes the impact of every dollar and that funds are not wasted on the unnecessary. The Department of State will use information technology to achieve efficiencies and save approximately $15 million in 2012. These efficiencies include eliminating duplication of data center services and infrastructure to control energy use and facility costs, phasing out legacy messaging systems, and implementing the Global Foreign Affairs Compensation System that operates in a more efficient computing environment and eliminates the need for a mainframe computer. And within the Global Health Initiative, the costs of commodities and service delivery continue to fall dramatically; notably, the per patient cost to the United States of providing anti-retroviral treatment for AIDS patients has fallen by over 50 percent since 2008 due to increased use of generic drugs, task-shifting to nurses and community health workers as appropriate, and increased involvement from and improved coordination with partner governments.

Department of State and Other International Programs
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending [1]			
Discretionary Budget Authority:			
Administration of Foreign Affairs	9,716		10,362
International Organizations and Peacekeeping	3,808		3,539
Economic Support Fund	6,570		5,969
Global Health and Child Survival	7,829		8,716
International Narcotics and Law Enforcement	1,848		1,512
Migration and Refugee Assistance	1,693		1,613
Non-proliferation, Anti-terrorism, Demining Programs	754		709
Foreign Military Financing	5,470		5,550
Assistance for Europe, Eurasia, and Central Asia	742		627
Development Assistance	2,520		2,918
USAID Operating Expenses	1,389		1,503
Other State and USAID programs	2,527		2,326
USDA Food for Peace Title II (non-add in total budget authority line)	*1,690*		*1,690*
Sub-Total, Department of State and USAID (including Food for Peace)	46,554	47,421	47,033
Treasury International Programs	2,129		3,364
Millennium Challenge Corporation	1,105		1,125
Peace Corps	400		440
Broadcasting Board of Governors	746		767
Export-Import Bank	2		–213
Overseas Private Investment Corporation	–203		–188
Other International Programs	250		283
Total, Discretionary budget authority [2,3]	49,293	51,384	50,921
Memorandum:			
Budget authority from enacted supplementals not included above	*2,318*	—	—
Total, Discretionary outlays	43,876	55,851	62,656
Total, Mandatory outlays	1,124	–1,050	–47
Total, Outlays	45,000	54,801	62,609
Credit activity			
Direct Loan Disbursements:			
Export-Import Bank	2,936	25	25
All other programs	518	8,283	6,203
Total, Direct loan disbursements	3,454	8,308	6,228

Department of State and Other International Programs—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Guaranteed Loan Commitments:			
Export-Import Bank	17,725	14,425	21,500
All other programs	954	3,294	3,558
Total, Guaranteed loan commitments	18,679	17,719	25,058

[1] Discretionary Budget Authority does not include 2010 and 2011 Overseas Contingency Operations (OCO) equivalent funding or 2012 OCO funding, which are presented in the OCO Chapter.
[2] 2010 Total Discretionary Budget Authority includes $1.5 billion in funding from the 2010 Supplemental (P.L. 111–212) and $1.5 billion in forward funding from the 2009 Supplemental (P.L. 111–32).
[3] 2010 Total Discretionary Budget Authority does not include a $300 million transfer from the Department of Health and Human Services to the Department of State and USAID for the Global Fund to Fight AIDS, Tuberculosis, and Malaria.

DEPARTMENT OF TRANSPORTATION

Funding Highlights:

- Provides $13.4 billion in discretionary resources in 2012, a $1.3 billion decrease from 2010 levels. (This figure excludes $109 billion in obligation limitations for the surface transportation plan. Including surface transportation obligation limitations, Department of Transportation's total budgetary resources increase by $53 billion over 2010.)
- Includes a six-year, $556 billion surface reauthorization plan to modernize the country's surface transportation infrastructure, create jobs, and pave the way for long-term economic growth. The President will work with the Congress to ensure that the plan will not increase the deficit.
- Jump-starts productive investment and stimulates job growth with a first-year funding boost of $50 billion in 2012.
- Provides $8 billion in 2012 and $53 billion over six years to reach the President's goal of providing 80 percent of Americans with convenient access to a passenger rail system, featuring high-speed service, within 25 years.
- Includes $30 billion over six years for a pioneering National Infrastructure Bank to invest in projects of regional or national significance to the economy.
- Continues to invest in the Next Generation Air Transportation System—a revolutionary modernization of our aviation system.
- Initiates Transportation Leadership Awards to create incentives for State and local partners to pursue critical transportation policy reforms.
- Reduces funding for Airport Grants, focusing Federal support on smaller airports, while giving larger airports additional flexibility to raise their own resources.

A well-functioning transportation system is critical to the Nation's prosperity. Whether it is by road, transit, aviation, rail, or waterway, we rely on our transportation system to move people and goods safely, facilitate commerce, attract and retain businesses, and support jobs. The President's Budget provides $128 billion to support these efforts, including $13 billion in discretionary budget authority, $109 billion in obligation limitations and $6 billion in mandatory budget authority. Increases are made to enable the Department to deliver on its core safety mission and support economic growth. The Budget also features reforms to surface transportation programs, including a consolidation of 55 duplicative, often-earmarked highway programs into five streamlined ones.

Invests in Infrastructure Critical for Long Term Growth and Job Creation

Much of the Nation's transportation infrastructure was built decades ago and is in desperate need of repairs and upgrades to meet economic demands. The President's Budget includes a $556 billion, six-year surface transportation reauthorization proposal—including highways, transit, highway safety, passenger rail, and a National Infrastructure Bank—an increase of over 60 percent above the inflation-adjusted levels in the previous surface transportation reauthorization, plus annual appropriated funding for passenger rail funding in those years. This proposal seeks to not only fill a long-overdue funding gap, but also to reform how Federal dollars are spent to ensure that they are directed to the most effective programs. It reflects a need to balance fiscal discipline with efforts to expedite our economic recovery and job creation. It emphasizes fixing existing assets, moving toward a cost-benefit analysis of large transportation projects, and consolidating duplicative, often-earmarked highway programs. Further, the Administration's proposal does not contain earmarks, and the Budget seeks to cancel long-dormant ones. Finally, the President will work with the Congress to ensure that this funding boost is offset and does not increase the deficit.

Boosts Spending by $50 Billion in the First Year. To spur job growth and allow States to initiate sound multi-year investments, the Administration's six-year plan includes a $50 billion boost above current law spending for roads, railways and runways. Although infrastructure projects take time to get underway, the $50 billion boost alone would generate hundreds of thousands of jobs in the first few years—and in industries suffering from protracted unemployment. Not only will job markets and municipal transportation programs get much-needed support in the near-term, but Federal taxpayers will reap the benefits of historically competitive pricing in construction.

Supports High-Speed Rail Service as Real Transportation Alternative. For the first time ever, the Administration proposes to include intercity passenger rail programs in the multi-year reauthorization proposal. The goal is to provide 80 percent of Americans with convenient access to a passenger rail system, featuring high-speed service, within 25 years. The Budget provides $53 billion over six years to fund the development of high-speed rail and other passenger rail programs as part of an integrated national strategy. This includes merging Amtrak's stand-alone subsidies into the high-speed rail program as part of a larger, competitive System Preservation initiative.

Creates a National Infrastructure Bank to Support Projects Critical to America's Competitiveness. The Administration's six-year plan would invest $30 billion to establish a National Infrastructure Bank (I-Bank). The I-Bank will provide loans and grants to support individual projects and broader activities of significance to our Nation's economic competitiveness. For example, the I-Bank could support improvements in road and rail access to a West Coast port that benefits farmers in the Midwest, or a national effort to guarantee private loans made to help airlines purchase equipment in support of the Next Generation Air Transportation System (NextGen). A cornerstone of the I-Bank's approach will be a rigorous project comparison method that transparently measures which projects offer the biggest value to taxpayers and our economy. This marks a substantial departure from the practice of funding projects based on more narrow considerations.

Embraces a Comprehensive, Data-driven Approach to Safety. The Department is reinvigorating its approach to safety by implementing innovative, data-driven methodologies to its highway safety, transit and pipeline safety programs. The Budget supports the launch of a new performance-based program to advance commercial motor vehicle safety, implementation of new authority for rail transit safety oversight, and more thorough oversight of the Nation's pipeline network.

Invests in Modernizing the Air Traffic Control System. The Budget provides $1.24

billion for NextGen, an increase of over $370 million from 2010. NextGen is the Federal Aviation Administration's multi-year effort to improve the efficiency, safety, capacity, and environmental performance of the aviation system. The Budget continues to support the transformation from a ground-based radar surveillance system to a more accurate satellite-based surveillance system; the development of 21st Century data communications capability between air traffic control and aircraft to improve efficiency; and the improvement of aviation weather information.

Helps Communities to Become More Livable and Sustainable. Fostering livable communities—places where coordinated transportation, housing, and commercial development gives people access to affordable and environmentally sustainable transportation—is a transformational policy shift. The Administration's reauthorization proposal adopts a multi-pronged approach to help communities achieve this goal. For example, in the Federal Highway Administration, the Administration proposes a new livability grant program ($4.1 billion in 2012 and $28 billion over six years) for projects like multi-modal transportation hubs (where different forms of transportation converge) and streets that accommodate pedestrian, bicycle, and transit access. The proposal also seeks to harmonize State and local planning requirements and facilitate more cooperation—and includes competitive grant funding ($200 million in 2012 and $1.2 billion over six years) to improve those entities' ability to deliver sound, data-driven, and collaboratively-developed transportation plans. The Budget also includes $119 billion for transit programs over six-years, more than doubling the commitment to transit in the prior reauthorization for both existing capacity and capacity expansion. This unprecedented increase for buses, subways, and other systems of public transportation will help improve and expand travel options and help make our communities more livable.

Improves the Way Federal Funds Are Spent

Provides "Transportation Leadership Awards" to Drive State Reform. The Administration's six-year reauthorization plan would dedicate nearly $32 billion for a competitive grant program designed to create incentives for State and local partners to adopt critical reforms in a variety of areas, including safety, livability, and demand management. Federally-inspired safety reforms, such as seat belt and drunk-driving laws, saved thousands of American lives and avoided billions in property losses. This initiative will seek to repeat the successes of the past across the complete spectrum of transportation policy priorities. The Department will work with States and localities to set ambitious goals in different areas—for example, passing measures to prevent distracted driving (safety) or modifying transportation plans to include mass transit, bike, and pedestrian options (livability)—and to tie resources to goal-achievement.

Adopts a "Fix-It-First" Approach for Highway and Transit Grants. Key elements of the Nation's surface transportation infrastructure—our highways, bridges, and transit assets—are not up to standards. At the same time, States and localities have incentives to emphasize new investments over improving the condition of the existing infrastructure. The Administration's reauthorization proposal will underscore the importance of preserving and improving existing assets, encouraging its government and industry partners to make optimal use of current capacity, and minimizing life-cycle costs through sound asset management principles. Accountability is a key element of this system: States and localities will be required to report on highway condition and performance measures.

Consolidates 55 Highway Programs Into Five. The Administration's proposal would consolidate 55 duplicative, often-earmarked highway programs into five streamlined programs. This would give States and localities greater flexibility to direct resources to their highest priorities. In the interest of taxpayer value and accountability, that flexibility will come with reformed requirements on States to establish and meet performance targets tied to national goals and to move towards rigorous cost-benefit analyses of major new projects before they are initiated.

Ensures that Any Surface Transportation Plan is Paid For. The current framework for financing and allocating surface transportation investments is not financially sustainable, nor does it adequately or effectively allocate resources to meet our critical national needs. The President is committed to working with the Congress to ensure that funding increases for surface transportation do not increase the deficit. In order to encourage all parties to work together to enact such a solution, consistent with the recommendation of the National Commission on Fiscal Responsibility and Reform, the Budget proposes to make all programs included in surface transportation reauthorization subject to PAYGO (i.e., outlays classified as mandatory). This is intended to close loopholes in budgetary treatment and support the important goal of generating broad consensus for a fiscally responsible plan.

Targets Airport Funding and Reduces Guaranteed Funding for Large Airports. In support of the President's call for spending restraint, the Budget lowers funding for the airport grants program to $2.4 billion, a reduction of $1.1 billion, by eliminating guaranteed funding for large and medium hub airports. The Budget focuses Federal grants to support smaller commercial and general aviation airports that do not have access to additional revenue or other outside sources of capital. At the same time, the Budget would allow larger airports to increase non-Federal passenger facility charges, thereby giving larger airports greater flexibility to generate their own revenue.

Department of Transportation
(In millions of dollars)

	Actual	Estimate	
	2010	2011	2012
Spending			
Discretionary Budgetary Authority:			
Federal Aviation Administration	12,478		12,883
Federal Highway Administration	935		–630
National Highway Traffic Safety Administration [1]	3		—
Federal Railroad Administration [1]	295		183
Federal Transit Administration [1]	150		150
Maritime Administration	363		304
Office of the Secretary [1]	290		289
Pipeline and Hazardous Materials Safety Administration	165		192
All other	60		60
Total, Discretionary budgetary authority	14,739	14,000	13,431
Memorandum:			
Budget authority from supplementals	*–2*	—	—
Discretionary Obligation Limitations/Mandatory Contract Authority:			
Federal Aviation Administration	3,515		2,424
Federal Highway Administration [2]	41,107		69,675

Department of Transportation—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Federal Motor Carrier Safety Administration [2]	550		606
National Highway Traffic Safety Administration [2]	729		860
Federal Railroad Administration [2]	—		8,046
Federal Transit Administration [2]	8,343		22,201
National Infrastructure Bank [2]	—		5,000
Total, Obligation Limitations	54,244	54,244	108,812
Total, Budgetary resources	68,983	68,244	122,243
Total, Discretionary outlays [3]	35,309	31,219	26,976
Mandatory Outlays:			
Federal Aviation Administration	–120	–125	469
Federal Highway Administration	30,957	35,415	43,573
Federal Motor Carrier Safety Administration	512	748	587
National Highway Traffic Safety Administration	822	963	950
Federal Railroad Administration	1,496	1,697	3,002
Federal Transit Administration	8,709	9,161	13,068
National Infrastructure Bank	—	—	470
All other	65	417	527
Total, Mandatory outlays [3]	42,441	48,276	62,646
Total, Outlays	77,750	79,495	89,622
Credit activity			
Direct Loan Disbursements:			
Transportation Infrastructure Financing and Innovation Program	565	1,983	2,337
Railroad Rehabilitation and Improvement Financing Program	44	600	600
National Infrastructure Bank	—	—	25
Total, Direct loan disbursements	609	2,583	2,962
Guaranteed Loan Commitments:			
Transportation Infrastructure Financing and Innovation Program	—	40	80
Railroad Rehabilitation and Improvement Financing Program	—	100	100
Minority Business Resource Centers	2	18	18
Maritime Guaranteed Loans	63	312	182
Total, Guaranteed loan commitments	65	470	380

[1] The Budget reflects enactment of the Administration's six-year (2012–2017) surface transportation reauthorization proposal, under which a number of General Fund programs are moved into the Transportation Trust Fund. For comparability purposes, 2010 and 2011 budget authority for certain programs in these bureaus have been reclassified as mandatory.

[2] Requested discretionary obligation limitations for 2012 are equal to Contract Authority proposed in the surface transportation reauthorization bill.

[3] The Administration proposes to reclassify all surface transportation outlays as mandatory, consistent with the recommendations of the National Commission on Fiscal Responsibility and Reform. This reclassification includes outlays from General Fund programs being shifted into the Transportation Trust Fund, as well as outlays from prior obligation limitations. New outlays in 2012 are also classified as mandatory, derived from contract authority.

DEPARTMENT OF THE TREASURY

Funding Highlights:

- Provides $14 billion, a 4 percent increase above the 2010 enacted level. This increase is due to costs associated with implementation of legislation and new investments in IRS tax compliance activities that help reduce the deficit. In all other areas of the Treasury budget, funding remains highly constrained—more than 1 percent below the 2010 enacted level.
- Enables the implementation of critical reforms to the U.S. financial regulatory system through support for the Dodd-Frank Wall Street Reform and Consumer Protection Act, which will create a stronger, fairer financial system and foster continued growth.
- Increases small business lending and responsibly manages Troubled Asset Relief Program investments to protect taxpayer interests while winding down extraordinary interventions in the financial market.
- Expands job-creating investments and access to credit in disadvantaged communities through the Community Development Financial Institutions Fund.
- Saves money for taxpayers through a robust set of administrative savings and efficiencies that will streamline operations and provide considerable savings into the future.
- Ensures high-quality taxpayer services through targeted investments in the IRS, moving forward key technology modernization projects, and continuing sophisticated compliance programs to reduce the deficit and better achieve a tax system that is fair for all.
- Proposes a suite of legislative and administrative debt collection reforms that will yield more than $5 billion of additional collections over the next 10 years from individuals and businesses that have failed to pay taxes or repay Government loans, a significant portion of which will be returned to States.

The Department of the Treasury is at the forefront of the President's efforts to promote the economic prosperity, fiscal stability, and financial security of the United States. Treasury's core operations include collecting over $2.94 trillion in revenues and other collections, disbursing over $2.3 trillion in payments, managing Federal finances, and protecting the financial system from a variety of threats. Treasury also plays a key role in modernizing the Nation's financial regulatory framework and ensuring effective, transparent administration of critical economic programs, such as the stewardship of the Troubled Asset Relief Program (TARP) investments and consumer financial protection. Further, Treasury has been instrumental in America's economic recovery, fostering growth and job creation. It will continue to administer roughly $300 billion in critical tax benefits provided through the American Recovery and Reinvestment Act and ensure robust program oversight in 2012 and beyond.

The President's Budget includes $14 billion for the Department. This is an increase of over 4 percent from the 2010 enacted level, largely to support new investments in Internal Revenue Service (IRS) tax compliance activities that reduce the deficit and to support the implementation of new legislation, such as the Wall Street Reform and Consumer Protection Act, which is critical to protecting American families and our economy from future threats. Aside from these key investments, funding throughout the Department remains highly constrained at over 1 percent below the 2010 enacted level, and cuts are even made to uniquely valuable programs like the Community Development Financial Institution (CDFI) Fund.

Fosters a Stronger, Fairer Financial System for Growth and Competitiveness

Supports Implementation of the Wall Street Reform and Consumer Protection Act. The Dodd-Frank Wall Street Reform and Consumer Protection Act, enacted on July 21, 2010, was the most sweeping improvement of U.S. financial regulations since the 1930s. The Administration supports regulators' efforts to fully and effectively implement the requirements of the Act to create a more stable and resilient financial system. The Administration also fully supports the oversight and analytic work of the independent Financial Stability Oversight Council and Treasury's Office of Financial Research. The Act also created the landmark Consumer Financial Protection Bureau (CFPB), which will provide citizens with the tools and information they need to make wise financial decisions and will assure their protection in the financial products marketplace. The Treasury Department's interim authority to stand-up the CFPB will terminate on July 21, 2011, and the CFPB will then be established as an independent bureau within the Federal Reserve. Beginning on this date, the CFPB will assume some of the consumer protection authorities currently performed by existing Federal regulators, as well as its new role in overseeing similar authorities for non-bank financial institutions to ensure that all aspects of the American financial system are subject to appropriate oversight. As part of this transition, numerous staff performing these activities now will transfer from the Federal banking regulators and the Department of Housing and Urban Development to the CFPB.

Supports Homeowners and Small Businesses While Winding Down Programs for Large Financial Firms. Treasury's authority to enter into new financial commitments through TARP ended on October 3, 2010, but the Administration supports legacy TARP activities targeted to assisting homeowners threatened by foreclosure and small businesses facing shortages of affordable credit. The enactment of the Small Business Jobs Act of 2010 redoubled Treasury's commitment to facilitate the restoration of credit markets for small businesses. Separate from TARP, Treasury is implementing the Small Business Lending Fund, which is authorized to provide up to $30 billion in funding to community banks and offers incentives for these institutions to increase their small business lending portfolios, and the $1.5 billion State Small Business Credit Initiative, which will boost state-sponsored small business loan funds. The President's Budget also emphasizes the effective, transparent, and accountable winding down of TARP programs that have helped stabilize the financial system and restart markets critical to financing American households and businesses. The progressing economic recovery and prudent management of TARP have resulted in an estimated cost of $48 billion, significantly lower than the $341 billion cost estimated in the 2010 Budget Mid-Session Review or even the $114.5 billion cost estimated in the 2011 Budget Mid-Session Review.

Reduces Spending While Continuing to Support Vital Lending in Low-Income Communities. The Administration continues to support robust CDFI investments within a more constrained budget, through activities that improve the ability of local financial institutions to provide affordable credit in underserved and lower-income communities. In particular, the Administration targets initiatives that will increase the availability of healthy foods in areas now lacking them and improve the financial literacy of disadvantaged populations. Overall, CDFI funding is reduced by $20 million from the 2010 enacted level.

Implements Significant New Tax Legislation and Regulations. The Administration supports effective implementation of a number of recently-passed tax laws, including the Hiring Incentives to Restore Employment Act, the Foreign Account Tax Compliance Act, and the Affordable Care Act. Together, these reforms represent some of the most important changes to the tax code in a generation and will require significant interactions with partner agencies, major regulatory actions, and substantial changes to the way IRS conducts business both organizationally and with taxpayers. Additionally, the Administration supports the implementation of several recent regulatory improvements, such as the IRS' tax return preparer initiative that protects taxpayers from unqualified and/or unethical tax preparers. These efforts also help maintain tax revenue integrity through, for example, the reduction of unscrupulous preparer fraud and abuse.

Reduces Costs to Taxpayer and Improves Service Through Reforms

Achieves Savings through Administrative and Overhead Reductions. The Administration supports Treasury's continued efforts to reduce administrative expenses through streamlining acquisition and procurement operations and by reducing information technology (IT), contracting and other administrative costs. The Budget proposes to consolidate the Financial Management Service and Bureau of Public Debt data centers, streamline management functions among Treasury's Departmental Offices, and reduce overhead and administrative expenses across the IRS including, for example, $75 million in savings from improved IT infrastructure investment practices. Together, Treasury's administrative streamlining will save the American taxpayers approximately $200 million in 2012 and will continue to advance efficiencies, such as Treasury's initiative to "go paperless," generating additional savings in the future.

Improves Debt Collection Activities. The Budget includes several commonsense initiatives through which Treasury can lead partner agencies to maximize collection of unpaid debt from individuals and businesses. These reforms will allow taxpayers to be paid in full before Government contractors and Medicare providers with past-due debt receive a Federal payment, help States collect a portion of the sizable State income tax debt owed by former residents, and implement a number of management improvements. These proposals will increase collections by more than $5 billion over the next 10 years.

Modernizes the IRS to Improve Customer Service and Boost Tax Collections. The Administration proposes investments in core IRS programs that will improve service to taxpayers through increasing the response rate to taxpayer inquiries, deploying tax enforcement resources in support of high return program integrity activities, and modernizing IT systems to make interactions with the IRS more smooth and effective. The result will be a more nimble, responsive, data-driven IRS that is better able to manage the complex tax administration environment posed by a more global and interconnected economy. The Administration also proposes more than $240 million for a targeted set of new, revenue-generating tax enforcement initiatives aimed at closing the tax gap—the difference between taxes owed and taxes paid. When fully in place by 2014, these new efforts are expected to yield about $1.3 billion a year in additional tax revenue.

Department of the Treasury
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Internal Revenue Service	12,146		13,284
Financial Management Service	244		219
Departmental Offices	315		325
Bureau of the Public Debt	182		166
Department and IRS Inspectors General	182		188
Special Inspector General for Troubled Asset Relief Program (TARP)	23		47
Alcohol and Tobacco Tax and Trade Bureau	103		98
Financial Crimes Enforcement Network	111		84
Community Development Financial Institutions Fund	247		227
All Other	–135		–590
Total, Discretionary budget authority	13,418	13,935	14,048
Memorandum:			
Budget authority from supplementals	*13*	—	—
Total, Discretionary outlays	13,238	14,221	14,616
Mandatory Outlays:			
Tax Expenditure Program outlays	110,434	102,097	81,069
Legislative proposals	—	137	725
Government Sponsored Enterprise (GSE), Mortgage-Backed Securities (MBS,) and Housing Finance Agencies (HFA) purchases	–9,581	2,101	17
GSE Preferred Stock Purchase Agreements and Dividends	40,458	30,008	7,660
Troubled Asset Relief Program (TARP)	9,016	16,814	13,230
TARP Housing	543	9,813	13,230
TARP Equity	8,451	4,635	—
TARP Direct Loans	22	2,366	—
TARP Downward Reestimate of Subsidies	–116,556	–43,475	—
TARP Equity	–98,211	–35,267	—
TARP Direct Loans	–18,345	–8,208	—
Office of Financial Stability	239	536	328
Special Inspector General for TARP	11	19	4
Internal Revenue Collections for Puerto Rico	378	574	430
Legislative proposal	—	—	80
Terrorism Insurance Program	2	108	241
All Other	3,907	12,101	10,723
Total, Mandatory outlays [1]	38,308	121,020	114,507

Department of the Treasury—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Total, Outlays	51,546	135,241	129,123
Credit activity			
Direct Loan Disbursements:			
GSE MBS and HFA Purchases	45,187	3,125	—
Troubled Asset Relief Program	23,373	31,914	—
Small Business Lending Fund	—	17,399	—
Community Development Financial Institutions Fund	—	—	10
Total, Direct loan disbursements	68,560	52,438	10
Guaranteed Loan Commitments:			
Troubled Asset Relief Program	—	60,000	83,681
Total, Guaranteed loan commitments	—	60,000	83,681

[1] Excludes International Affairs Programs.

DEPARTMENT OF VETERANS AFFAIRS

Funding Highlights:

- Provides $61.85 billion, a 10.6 percent increase over 2010 to meet increased demand.
- Prioritizes the specialized care needed by veterans with post-traumatic stress, traumatic brain injury, and other psychological and cognitive health needs.
- Provides advance appropriations for VA's Medical Care in 2013, which requires a multi-year budgeting approach to effectively manage medical care resources across multiple fiscal years.
- Dramatically expands benefits and medical care for veterans' caregivers.
- Increases the historic funding level for the Administration's ongoing efforts to combat veteran homelessness.
- Improves VA responsiveness and efficiency by beginning the implementation of a new paperless system that will provide faster and more accurate benefits claims processing and improve veterans' access to benefits information.
- Reduces spending for construction to focus resources on providing timely, high-quality care and benefits to veterans.

For their dedicated service defending the United States, veterans receive an array of benefits and services. The President's Budget simplifies access to these benefits; ensures that we are meeting the needs of the contemporary veteran population; and invests in the continued modernization of the Department of Veterans Affairs (VA) to meet the 21st Century challenges.

The President's Budget maintains the Administration's commitment to our Nation's veterans and provides $61.85 billion in discretionary funding (including $953 million in a contingency fund to address potential costs due to changes in economic conditions), a 10.6 percent increase from 2010. This increase will continue to drive improvements in efficiency and responsiveness in the VA—transforming the Department to better serve veterans and their families at a time when much is being asked of our men and women in uniform.

Adapts and Innovates for Changing Needs

Prioritizes Specialized Care for Veterans with Psychological and Cognitive Health Needs. The President's Budget includes $6 billion to enhance the VA's ability to provide the best possible specialized care for post-traumatic stress, traumatic brain injury, and other mental health needs. The Budget makes possible collaborative programs between the Department of Defense and VA that target psychological health, research new evidence-based approaches, and increase outreach to veterans. Those programs will increase our ability to care for the psychological and cognitive conditions that will continue to impact our veteran population for many years to come.

Effectively Utilizes Estimated Savings and Multi-Year Funding to Manage VA Medical Care. The Administration proposes $52.5 billion in advance appropriations for the VA medical care program in 2013, which enables timely and predictable funding for VA's medical care to prevent our Nation's veterans from being adversely affected by budget delays. Advance appropriations require a multi-year approach to budget planning whereby one year builds off the previous year. For example, estimated savings from management improvements in 2011 and 2012 will be carried forward into the following years to reduce the new appropriations needed in 2012 and 2013. Without the carryover of those resources from 2011 and 2012—currently estimated at $1.1 billion—VA would need a higher level of appropriations in 2012 and 2013.

Expands Benefits for Veteran's Caregivers. The President's Budget provides $208 million for the implementation of the Caregivers and Veterans Omnibus Health Services Act of 2010. The new caregiver benefits and services include training adapted to the veterans' individual care needs, a direct stipend payment, and health care and mental health services. These benefits will enhance the standard of care provided to veterans who need ongoing care through the retention of better trained and more qualified caregivers.

Combats Veteran Homelessness. The President's Budget invests $939 million to continue the expansion of VA services for homeless and at-risk veterans. These funds will combat veteran homelessness through collaborative partnerships with local governments, non-profit organizations, and the Department of Housing and Urban Development, the Department of Justice, and the Department of Labor.

Reduces Costs and Improves Efficiency

Begins Implementation of a New Paperless Claims System and Other Initiatives to Boost Efficiency and Responsiveness. The President's Budget provides $183 million for the implementation of a new paperless claims processing system. These funds will allow the VA to move away from its reliance on paper records, thereby improving the speed and efficiency of claims processing while simultaneously enhancing the security of veterans' personal information. Furthermore, the President's Budget reduces spending for construction to focus resources on providing timely, high-quality care and benefits to veterans.

Department of Veterans Affairs

(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Medical Care	44,546		50,851
Medical Collections (non-add)	*2,839*		*3,078*
Total Medical Care including collections (non-add)	*47,385*		*53,929*
Medical Care and Prosthetics Research	581		509
Information Technology	3,307		3,161
Construction	1,980		1,271
Veterans Benefits Administration	1,689		2,019
General Administration	398		448
Housing and Other Credit	166		156
National Cemetery Administration	250		251
Filipino Veterans Equity Compensation Fund	63		—
Office of Inspector General	109		109
Total, Discretionary budget authority	53,089	56,967	58,775
Memorandum:			
American Recovery and Reinvestment Act rescission	*–11*	—	—
Total, Discretionary outlays	50,751	56,574	58,764
Mandatory Outlays:			
Disability Compensation and Pensions:			
Existing law	47,901	71,604	53,349
Legislative proposal	—	—	23
Education Benefits	7,374	9,782	9,924
Vocational Rehabilitation and Employment	760	820	841
Housing (credit):			
Existing law	405	1,135	295
Legislative proposal	—	—	–86
Insurance	52	83	100
All other	1,038	1,139	1,122
Total, Mandatory outlays	57,530	84,563	65,568
Total, Outlays	108,281	141,137	124,332

Department of Veterans Affairs—Continued

(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Credit activity			
Direct Loan Disbursements:			
Vendee and Acquired Loans	251	1,082	1,236
All other programs	17	22	13
Total, Direct loan disbursements	268	1,104	1,249
Guaranteed Loan Commitments:			
Veterans Home Loans	63,140	68,407	57,575

OVERSEAS CONTINGENCY OPERATIONS

Funding Highlights:

- Adopts a uniform approach to budgeting in conflict areas, thereby aligning priorities among Departments and improving coordination and efficiency.
- Includes the military and civilian costs necessary to achieve U.S. national security goals in Iraq, Afghanistan, and Pakistan including the transition from a military to a civilian-led mission in Iraq.
- Integrates International Affairs resource requirements related to extraordinary and temporary national security needs in Iraq, Afghanistan, and Pakistan with Department of Defense budget planning through creation of an Overseas Contingency Operations budget for the Department of State.
- Promotes transparency and fiscal discipline in the Budget by clearly separating those costs within the Overseas Contingency Operations budget that do not represent permanent base Budget requirements and will be phased out over time.
- Provides $118 billion for the Department of Defense, of which $107 billion is for Operation Enduring Freedom that supports activities in Afghanistan and $11 billion for Operation New Dawn (formerly Operation Iraqi Freedom) that supports activities in Iraq.
- Funds $8.7 billion for the Department of State, of which $2.2 billion is for Afghanistan, $1.2 billion is for Pakistan, and $5.2 billion is for Iraq. The increase associated with the Department of State is more than offset by reduced costs for the Department of Defense.

The President's Budget, for the first time, adopts a uniform approach to budgeting for Department of Defense (DOD) and Department of State operations in conflict areas. By aligning priority war costs between the departments, efficiencies can be found and coordination improved. Beginning with the 2010 Budget request, the costs associated with funding military operations in Iraq and Afghanistan were provided through a separate DOD Overseas Contingency Operations (OCO) budget request to more accurately reflect the temporary and extraordinary requirements of these overseas operations. This year's Budget request includes key efforts to transition from military to civilian-led missions including:

- A drawdown of all U.S. troops in Iraq by December 31, 2011, in accordance with the U.S.-Iraq Security Agreement, and transfer or closure of over 500 bases to the Government of Iraq.

- Establishing two additional regional consulates and two Embassy Branch Offices and having the State Department take responsibility for over 400 essential activities that DOD currently performs.

- Establishing police and criminal justice hub facilities and security cooperation sites to continue enhancing security forces and ministry capabilities; carrying on efforts started by DOD.

- Beginning the responsible drawdown of U.S. forces in Afghanistan by July 2011.

Beginning with the 2012 Budget request, certain temporary and extraordinary Department of State diplomatic, development, and related assistance in Iraq, Afghanistan, and Pakistan will likewise be requested as OCO and be similarly funded. This approach improves budget transparency and fiscal discipline by extending the separate OCO mechanism to related international affairs spending in these countries, particularly as operations transition from military to civilian leadership.

Department of Defense

The Budget reflects an overall decrease in the OCO request for DOD. The DOD OCO request of $118 billion funds continuing military operations supporting Operation Enduring Freedom, which is primarily conducted in Afghanistan, while also transitioning to a civilian-led mission in Iraq. In Afghanistan, the Budget funds operations; force protection; reconstitution of damaged equipment; activities to counter and defeat improvised explosive devices; intelligence activities; and the training, equipping, and sustaining of the Afghan National Security Forces. The Budget also supports transition efforts in Iraq including redeploying U.S. forces; transferring of responsibilities to Iraqis and U.S. civilian agencies; training, equipping, and advising Iraqi military and security forces; and supporting counterterrorism activities. The Budget includes anticipated costs for the Office of Security Cooperation in Iraq, which will continue security assistance and security cooperation activities.

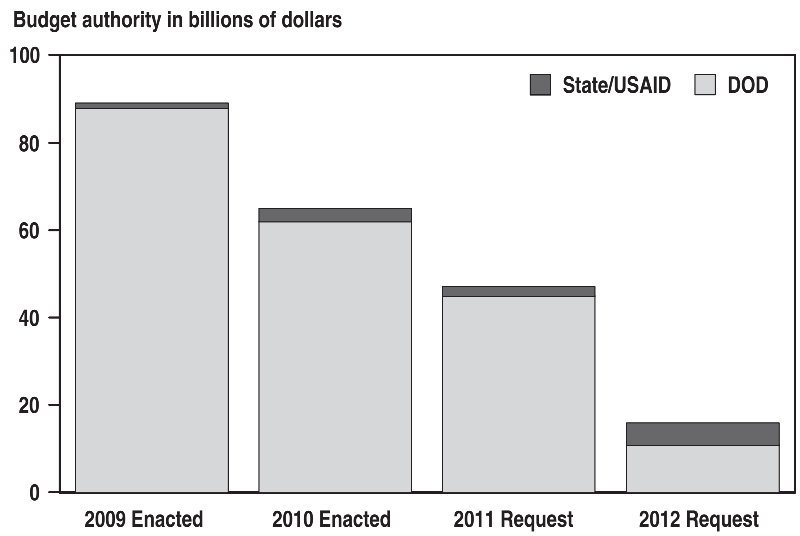
Department of State

The Budget reflects the OCO costs associated with Department of State activities in Iraq, Afghanistan, and Pakistan. These costs, such as certain near-term security and development components of assistance programs related to stabilization and counterinsurgency operations, protection of civilian personnel, and oversight activities of the Special Inspectors General for Iraq and Afghanistan, are required to meet U.S. objectives. In Iraq, these temporary operations and assistance increases are necessary to transition from a military to a civilian-led mission and strengthen the capacity of the Iraqi government through police training, criminal justice programs, and military assistance. For Afghanistan and Pakistan, unique challenges require near-term stabilization and development assistance related to a responsible security transition in Afghanistan and related counterinsurgency programs in Pakistan.

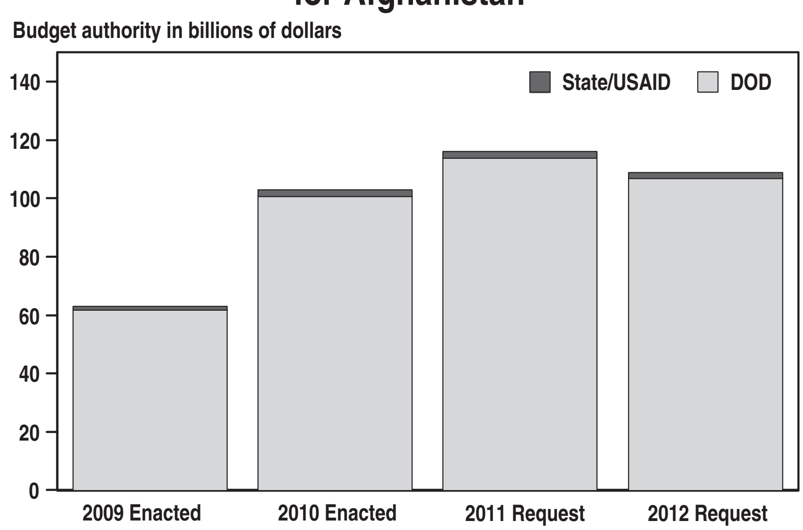
Overseas Contingency Operation Funding for 2009–2012

As the charts below show, the increase in OCO funding for State and USAID, particularly in Iraq, is more than offset by reductions in OCO funding for DOD.

DOD and State/USAID Budget Authority for Iraq



DOD and State/USAID Budget Authority for Afghanistan



Overseas Contingency Operations
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Department of Defense:			
Operation Iraqi Freedom/Operation New Dawn	61,517	45,640	10,442
Operation Enduring Freedom	100,748	113,442	107,143
Sub-Total, Department of Defense [1]	162,265	159,082	117,585
Department of State and U.S. Agency for International Development (USAID):			
Iraq	2,795	1,685	5,248
Afghanistan	2,212	2,368	2,208
Pakistan	79	1,333	1,246
Sub-Total, Department of State and USAID [2,3]	5,085	5,387	8,703
Total, Discretionary budget authority	167,350	164,469	126,288

[1] The DOD 2010, 2011, and 2012 numbers represent an estimate by military operation, and excludes transfer amounts to the Department of Homeland Security (U.S. Coast Guard) in 2011 and 2012. The 2010 amount does not include funding for Haiti.

[2] The 2010 and 2011 totals for Department of State and USAID represent estimated OCO equivalent funding.

[3] The Department of State and USAID 2010 total includes $2.3 billion in OCO equivalent funding from the 2010 Supplemental (P.L. 111–212) and $0.4 billion in OCO equivalent forward funding from the 2009 Supplemental (P.L. 111–32).

CORPS OF ENGINEERS—CIVIL WORKS

Funding Highlights:

- Provides $4.6 billion, a reduction of $913 million from the 2010 level. The Budget proposes to create savings and efficiencies through the elimination of duplicative and lower-priority programs including Corps funding of local water and wastewater treatment projects.
- Focuses funding on water resources infrastructure projects that produce high economic and environmental returns to the Nation and those that address public safety needs.
- Restores high-priority ecosystems such as the California Bay-Delta, the Everglades, the Great Lakes, and the Gulf Coast, which is still recovering from damage incurred by the Deepwater oil spill. This funding will help ensure their ecological sustainability and resilience, which also help support the economic growth of the surrounding areas.
- Supports a comprehensive levee safety initiative to help ensure that Federal levees are safe and to enhance efforts to assist non-Federal parties in addressing safety issues with their levee systems.
- Provides priority funding for the maintenance of existing high performing projects, such as the high commercial use Mississippi and Ohio Rivers and the Illinois Waterway.
- Reforms the civil works program to improve the way that the Army Corps of Engineers addresses the Nation's most pressing water resources challenges.
- Proposes changes in the way Federal navigation activities are funded, and supports increases in inland waterways receipts.
- Increases the organizational efficiency and improves the management, oversight, and performance of ongoing programs.

The Army Corps of Engineers (Corps) civil works program develops, manages, restores, and protects the Nation's water resources through studies of potential projects, construction of projects, operation and maintenance, and its regulatory program. Working with other Federal agencies, the Corps also helps communities respond to and recover from floods and other natural disasters. To support this work, the Budget provides $4.6 billion, a reduction of $913 million from the 2010 level. This level reflects the Administration's Government-wide efforts to create cost savings by eliminating duplicative and lower-priority programs, including all Corps funding of local water and wastewater treatment projects. The Budget also includes proposed reforms to the civil works program to improve the way Federal funds are used.

Invests in Water Resources Infrastructure to Support Competitiveness, Growth, and the Environment

Constructs Projects with High Economic and Environmental Returns While Addressing Public Safety. The Administration proposes $1.5 billion for high-return construction projects in the three main mission areas of the Corps: flood and storm damage reduction, commercial navigation, and aquatic ecosystem restoration, as well as hydropower. In addition, the Budget emphasizes funding for dam safety work, construction of projects with substantial life saving benefits, and projects that will complete construction in 2012.

Restores High-Priority Aquatic Ecosystems. The Administration proposes funding aquatic ecosystem restoration efforts based on sound science, criteria grounded in research and development, and adaptive management. Funds are provided for work on several priority ecosystems, including the California Bay-Delta, Chesapeake Bay, the Everglades, the Great Lakes, and the Gulf Coast, which will also help support the economic growth of the surrounding areas. Consistent with the frameworks and action plans developed by interagency Federal working groups led by the White House Council on Environmental Quality (CEQ), the Corps will continue to work with CEQ and other Federal agencies to help restore these key ecosystems in a sustainable manner.

Invests in the Reliability and Safety of Water Resources Infrastructure. The Administration prioritizes funding for the operation and maintenance of critical national infrastructure, including the inland waterways with the most commercial use (such as the Mississippi and Ohio Rivers and the Illinois Waterway) and the major coastal harbors and their channels. Consistent with the President's Executive Order on Stewardship of the Ocean, Our Coasts, and the Great Lakes, the Budget supports the operations and analysis of the Coastal Data Information Program. To assess the impact of climate change on water resources projects, the Budget also continues the development of models, monitoring tools, and guidance for adaptation and mitigation.

Maximizes the Return on Federal Investments

Reforms the Civil Works Program to Improve Efficiency and Effectiveness. The Administration has identified the following general principles to guide Corps policy and funding decisions when addressing the Nation's most pressing water resources challenges. The Army Corps of Engineers civil works program will:

- Support those water resources projects, including modification of existing projects, within its main missions—commercial navigation, flood and storm damage reduction, and aquatic ecosystem restoration—that are highly justified from a national perspective based on current information; give priority to maintaining existing high-performing projects; and support de-authorizing existing and proposed civil works projects, or portions thereof, that no longer address the water resources priorities of the Nation.

- Work with other Federal agencies and non-Federal interests to ensure that its programs encourage improved management of water and related land resources at the local level to reduce vulnerabilities and enhance the resiliency and natural functions of floodplains and coastal areas, advance public safety, and promote efforts to preserve and restore aquatic ecosystems.

- Require non-Federal cost sharing that reflects the benefits received by non-Federal parties. Where an investment primarily serves an identifiable group or a specific geographic area, those who benefit most directly should pay all or a substantial share of the costs; work to extend, expand, rehabilitate, or replace an existing project should be cost-shared the same as a new project, using direct financing where appropriate.

- Employ best practices in planning for the future use and management of the Nation's water resources, including support of the ongoing effort to revise the principles and guidelines for Federal water resources planning, and promoting a watershed and integrated water resources management approach; seek to revise or repeal statutory provisions that limit its ability to plan projects appropriately.

- Be organized and operate in a manner that promotes improved management efficiency, accountability, and transparency of its operations and the productivity and responsiveness of its staff.

Reforms the Way Federal Navigation Activities Are Funded. The Administration proposes to expand the authorized uses of the Harbor Maintenance Trust Fund, so that its receipts are also available to finance the Federal share of other Federal efforts in support of commercial navigation through our ports. The Administration will also work with the Congress to reform the laws governing the Inland Waterways Trust Fund, including increasing the revenue paid by commercial navigation users sufficiently to meet their share of the costs of activities financed from this trust fund.

Eliminates Duplicative and Lower Priority Programs and Increases Organizational Efficiency. The Administration proposes to eliminate programs and projects that duplicate other Federal, State, or local efforts, including all Corps funding of local water and wastewater treatment projects. The Administration will also focus on ways to ensure the responsiveness, accountability, and operational oversight of the civil works program in order to best meet current and future water resources challenges. Together, these efforts will improve performance and free up resources for other uses and deficit reduction.

Emphasizes a Well-Coordinated Regulatory Process for Preservation of Water Resources. The Administration will ensure a well-coordinated process with the Corps, the Environmental Protection Agency, the Department of the Interior and other agencies on permitting and related activities necessary to protect the waters of the United States. Through its permitting decisions, the Corps will continue to avoid, minimize and mitigate adverse environmental impacts from proposed activities to prevent a net loss of aquatic resource function.

Supports a Comprehensive Levee Safety Initiative. The Budget includes a comprehensive levee safety initiative to help ensure that Federal levees are safe and to enhance efforts to assist non-Federal parties to address safety issues with their levee systems. The Budget focuses funds on completing the current data collection effort for the Corps levee infrastructure, and expediting completion of levee assessments and inspections, which will allow the Corps to begin prioritizing its levee systems using a risk-based model currently under development. This levee safety initiative also includes measures to help ensure greater coordination between the Corps, other Federal agencies, and non-Federal levee owners and operators.

Corps of Engineers—Civil Works

(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Construction	2,017		1,480
Operation and Maintenance	2,488		2,314
Mississippi River and Tributaries	342		210
Flood Control and Coastal Emergencies	—		27
Investigations	161		104
Regulatory Program	190		196
Expenses	185		185
Office of the Assistant Secretary of the Army for Civil Works	5		6
Formerly Utilized Sites Remedial Action Program	134		109
Cancellation of Unobligated Balances, Mississippi River and Tributaries	—		–22
Total, Discretionary budget authority	5,522	4,881	4,609
Memorandum:			
Budget authority from supplementals	*217*	—	—
Cancellation of budget authority from supplementals	—	—	*–35*
Total, Discretionary outlays	10,002	10,767	7,941
Mandatory Outlays:			
Existing law	–88	–111	95
Total, Mandatory outlays	–88	–111	95
Total, Outlays	9,914	10,656	8,036

ENVIRONMENTAL PROTECTION AGENCY

Funding Highlights:

- Provides $9 billion, a decrease of $1.3 billion. Funding is maintained for core priorities, such as State and tribal categorical grants and enforcement of environment and public health protections. In order to achieve savings in a fiscally-constrained time, decreases are made to the State Revolving Funds, the Great Lakes Restoration Initiative, and the clean diesel grant program.
- Supports the 2012 implementation of a historic national program to reduce greenhouse gases and improve fuel economy for cars and trucks. This action is projected to save 1.8 billion barrels of oil and reduce U.S. greenhouse gas emissions from the light-duty vehicle fleet by about 21 percent by 2030 over the level that would occur in the absence of the national program.
- Stimulates economic growth in areas stymied by brownfields by providing technical assistance and maintaining an area-wide planning program to integrate sustainable community development with environmental remediation activities.
- Reduces funding for the Great Lakes Restoration Initiative by $125 million below the previous enacted level, which will allow for continued ecosystem restoration efforts while exercising fiscal restraint.
- Reduces funding for State Revolving Funds by $950 million, which will still enable States and Tribes to initiate approximately 600 clean water and 400 drinking water projects nationally, and provide a four year investment of almost $17 billion for water infrastructure.
- Provides enforcement funding to increase compliance inspections at high-risk facilities and enhance monitoring and reporting capabilities, building on successful collaboration with State and tribal partners.
- Enables States and Tribes to implement their environmental programs with $1.2 billion in funding, an increase of $85 million.
- Promotes chemical safety by increasing the Agency's pace in developing hazard assessments for highly produced industrial chemicals, and improving information management and transparency.

The Environmental Protection Agency's (EPA) mission is to protect human health and safeguard the natural environment. The President's 2012 Budget includes $9 billion to continue to deliver on this mission, a decrease of $1.3 billion. Funding is maintained for core priorities, such as State and tribal categorical grants and the agency's core operating budget, which includes enforcement of environment and public health protections. Because of the constrained fiscal environment, the Budget decreases the State Revolving Funds (SRFs) by nearly $950 million while supporting a long-term goal of providing about 5 percent of total water infrastructure spending and spurring more efficient system-wide planning. The Budget also reduces the Great Lakes Restoration Initiative by $125 million, eliminates about $160 million in targeted water infrastructure earmarks, and terminates the $80 million clean diesel grant program.

Prepares the United States to be a Global Leader in the Clean Energy Economy

Supports Efforts to Mitigate Climate Change and the Transition to a Clean Energy Economy. The President has called on the Congress to enact forward-looking energy legislation that would spur U.S. development of advanced, clean energy technologies to reduce the Nation's dependence on oil, strengthen energy and national security, create new jobs, and restore America's position as a global leader in efforts to mitigate climate change and address its consequences. The Administration continues to support greenhouse gas emissions reductions in the United States in the range of 17 percent below 2005 levels by 2020 and 83 percent by 2050.

Reduces Greenhouse Gas (GHG) Emissions and Boosts Fuel Economy. EPA will continue to collaborate with Federal and State agencies as well as regulated sources of GHG emissions to seek cost-effective emissions reductions strategies. Beginning with model year 2012, EPA will begin to implement a historic national program to reduce GHGs and improve fuel economy for cars and trucks, projected to save 1.8 billion barrels of oil and reduce U.S. GHG emissions by 960 million metric tons over the lifetime of vehicles sold during 2012 through 2016. The Agency will also develop a framework for setting GHG standards for light-duty vehicles of model years 2017 and beyond, helping to produce a new generation of clean vehicles and providing sufficient lead time to vehicle manufacturers. The Administration proposes $25 million for State grants to implement permitting programs tailored to GHG emissions. Additionally, EPA will continue to develop regulatory strategies to control GHG emissions from major stationary sources. The Administration also maintains funding levels for partnership and voluntary programs like Energy Star, which help conserve energy and bring down utility bills.

Revitalizes Ecosystems and Communities

Works to Restore the Gulf Coast Ecosystem. The Administration is committed to restoring and protecting the Gulf Coast ecosystem following the BP Deepwater Horizon oil spill and is working with the Gulf States through the Natural Resource Damage Assessment and Restoration process to restore the area's natural resources to pre-spill conditions. A portion of civil penalties obtained from parties responsible for the oil spill, if approved by the Congress to be dedicated to the Gulf Coast restoration, will be an important resource for funding additional critical ecosystem activities, and a key component of the Administration's response to the environmental, economic, and health needs of the region. The President established a Gulf Coast Ecosystem Restoration Task Force by Executive Order that includes Federal and State members. As Chair of the Gulf Coast Ecosystem Restoration Task Force, the EPA Administrator will lead environmental recovery efforts in the region.

Supports Restoration of the Chesapeake Bay. Funding for Chesapeake Bay restoration is increased to support Bay watershed States as they implement their plans to reduce nutrient and sediment pollution in an unprecedented effort to restore this economically important ecosystem. EPA and Federal partners will continue to coordinate with States, Tribes, municipalities, and industry to restore the integrity of imperiled waters of the United States.

Promotes Economic Growth with Funding for Brownfields Technical Assistance and Projects Grants. Brownfields are lightly contaminated sites—many in economically hard-hit areas—where the presence or potential presence of contamination may keep these sites from being used productively. The President's Budget provides the Brownfields program with funding for technical assistance to local communities and grants for sustainable development.

Improves the Way Federal Dollars Are Spent and Programs Work

Continues to Fund Great Lakes Restoration Initiative at Lower Levels. The Administration proposes reducing funding for the Great Lakes Restoration Initiative to $350 million, $125 million less than the previous enacted level, which will allow for continued ecosystem restoration efforts while exercising fiscal restraint. This EPA-led interagency effort to restore the Great Lakes focuses on priority environmental issues such as contaminated sediments and toxics, non-point source pollution, habitat degradation and loss, and invasive species.

Reduces Funding for State Revolving Funds (SRFs) While Spurring Efficiency and Reform. As part of the Administration's long-term strategy, EPA is implementing a Sustainable Water Infrastructure Policy that focuses on working with States and communities to enhance technical, managerial, and financial capacity. Important to the technical capacity will be enhancing alternatives analysis to expand "green infrastructure" options and their multiple benefits. Future year budgets for the SRFs gradually adjust, taking into account repayments, through 2016 with the goal of providing, on average, about 5 percent of water infrastructure spending annually. When coupled with increasing repayments from loans made in past years by States the annual funding will allow the SRFs to finance a significant percentage in clean water and drinking water infrastructure. Federal dollars provided through the SRFs will act as a catalyst for efficient system-wide planning and ongoing management of sustainable water infrastructure. Overall, the Administration requests a combined $2.5 billion for the SRFs.

Coordinates Federal Water Policy. The Administration's water policy goals include protecting and restoring our water resources to ensure clean and safe water supplies and healthy ecosystems. Federal agencies must work together and with State and local governments, Tribes, industry, and the agriculture sector to achieve goals. This outreach and cooperation enables Federal agencies to better identify gaps in information or resources, incorporate stakeholder input, reduce barriers to effective action, and eliminate redundancies. These efforts have directly fed into numerous actions the Administration has taken to improve national water policy, including:

- Coordinating EPA, U.S. Department of Agriculture (USDA), State, and local efforts in the Chesapeake Bay watershed to reduce nutrient pollution and restore water quality in the nation's largest estuary;
- Targeting USDA conservation funding within large-scale regional ecosystems and other high-priority impaired watersheds to achieve the greatest environmental outcomes;
- Supporting and continuing efforts to assess the effects and measure the environmental outcomes of agriculture conservation programs;
- Developing a national framework of reliable, unbiased and current data on freshwater resources;
- Initiating an EPA rulemaking to reduce stormwater discharges from new development and redevelopment and generally strengthen its stormwater program to improve community water quality;
- Coordinating the actions of EPA, the Department of the Interior, and the Army Corps of Engineers to better address impacts of surface coal mining on aquatic resources;
- Revising the principles and guidelines for water resources projects, the first update to the policy in over 25 years, to support best practices and projects based on science and consideration of environmental benefits;

- Promoting and funding non-structural and environmentally restorative water projects;

- Increasing investment in water infrastructure to provide clean and safe water to local communities that encourages innovative green technologies, takes into account climate change impacts, and emphasizes sustainability; and

- Developing a national environmental market infrastructure, supporting regional market innovation, and fostering collaboration around market-based conservation within USDA and across the Federal Government.

Targets Enforcement and Compliance More Effectively. The Administration proposes $621 million, a $24 million increase for enforcement and compliance assurance activities, allowing the Agency to strengthen its monitoring of emissions in the field and enhance its ability to detect violations that impact public health and to collect, analyze, and disseminate compliance information to the public. This Budget also expands the use of electronic reporting to improve the timeliness and accuracy of environmental compliance data. Electronic reporting will reduce reporting burdens, increase transparency, and enable integration of multiple data sets, enhancing our ability to monitor compliance and focus our resources most efficiently. In 2012, EPA will expand its efforts to convert existing paper based regulatory reporting requirements to an electronic format, leveraging private sector capabilities to facilitate reporting. The Agency will also invest in advanced monitoring tools, such as portable emission detectors and thermal imaging cameras to increase the ability of field personnel to identify violations and their sources. Additional funds are provided to increase the frequency of compliance inspections at oil and chemical facilities. Enforcement continues to be a collaborative effort with State and tribal partners.

Protects Americans' Health and Safety

Ensures Clean Air and Water for American Families. In the 40 years since the passage of the landmark Clean Air Act, the law has brought trillions of dollars in estimated benefits—outweighing costs by more than a factor of 25 to 1. Those benefits come in the form of lower mortality for seniors and other vulnerable populations, lower rates of childhood asthma and other illnesses for our kids, and healthier ecosystems. The Administration remains committed to implementing the laws that ensure clean air and water for all Americans. At the same time, it is crucial that regulations be as flexible and cost-effective as possible.

Assists State and Tribal Implementation of Environmental Programs. The Administration proposes $1.2 billion for grants to support State and tribal efforts to implement their environmental programs. The President's Budget proposes $306 million in State grant funding for air programs, well above historical levels due to additional responsibilities associated with achieving more stringent air quality standards. The Budget includes $115 million for grant programs specifically targeted at Tribes and tribal consortia, including a $71 million request for the Tribal General Assistance Program and a $20 million request for tribal multimedia grants to help implement environmental programs on tribal lands.

Protects American Families from Hazardous Chemicals. The Administration supports efforts to address unreasonable risks posed by industrial chemicals, and the Budget proposes $71 million for chemical assessment and risk review. This includes $16 million in new funding to support additional chemical hazard assessments and strengthen chemical information management. The Budget also maintains funding levels for activities that further national efforts to eliminate childhood lead poisoning and mitigate exposures to high-risk legacy chemicals such as mercury and asbestos.

Environmental Protection Agency

(In millions of dollars)

	Actual 2010	Estimate	
		2011	2012
Spending			
Discretionary Budget Authority:			
Operating Budget [1]	3,931		3,814
State and Tribal Categorical Grants	1,116		1,201
Clean Water State Revolving Fund	2,100		1,550
Drinking Water State Revolving Fund	1,387		990
Brownfields Assessment and Cleanup	100		99
Clean Diesel Grants	80		—
Targeted Water Infrastructure	187		20
Requested (non-add)	*30*		*20*
Unrequested (non-add)	*157*		—
Superfund	1,307		1,236
Leaking Underground Storage Tanks	113		112
Cancellation of unobligated balances	–40		–50
Total, Discretionary budget authority	10,281	10,020	8,973
Memorandum:			
Budget authority from supplementals	*2*	—	—
American Recovery and Reinvestment Act rescission [2]	*–26*	—	—
Total, Discretionary outlays	11,101	11,246	10,190
Mandatory Outlays:			
Agency-wide			
Existing law	–94	–146	–155
Legislative proposals, Pesticide and Premanufacture Notice user fees	—	—	–49
Total, Mandatory outlays	–94	–146	–204
Total, Outlays	11,007	11,100	9,986

[1] Includes funding for the Great Lakes Restoration Initiative.

[2] ARRA rescission in 2010 includes $10 million from the Operating Budget, $7 million from Superfund, and $9 million from Leaking Underground Storage Tanks.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

Funding Highlights:

- Provides $18.7 billion, the same amount the agency received in 2010. Funding focuses on areas that will improve the Nation's space capabilities, strengthen our competitive edge, and prepare the next generation of leaders in the field. The Budget also proposes to streamline operations and boost efficiencies at facilities.
- Maintains the Nation's commitment to humanity's foothold in space—the International Space Station—bringing nations together in a common pursuit of knowledge and excellence.
- Initiates development of a heavy-lift rocket and crew capsule to carry explorers beyond Earth's orbit, including a mission to an asteroid next decade—the furthest journey in human history.
- Embraces partnership with the commercial space industry and the thousands of new jobs that it can create by contracting with American companies to provide astronaut transportation to the Space Station—thus reducing the risk of relying exclusively on foreign crew transport capabilities.
- Supports groundbreaking innovations by continuing a program of robotic solar system exploration and new astronomical observatories, including a probe that will fly through the Sun's atmosphere and a new competitively-selected planetary science mission.
- Supports a robust and diverse fleet of Earth observation spacecraft to strengthen U.S. leadership in the field, better understand climate change, improve future weather predictions, and provide vital environmental data to Federal, State, and local policymakers.
- Sharpens the focus of the aeronautics research program by emphasizing enhancing aviation safety and airspace efficiency, and reducing the environmental impact of aviation.
- Initiates a pilot program to provide NASA Centers and surrounding communities with clean energy through the innovative use of NASA property.

The mission of the National Aeronautics and Space Administration (NASA) is to drive advances in science, technology, and exploration to enhance knowledge, education, innovation, economic vitality, and stewardship of the Earth. To support this mission, the President's Budget provides $18.7 billion, which is roughly the same amount as in 2010. Funding focuses on areas that will improve the Nation's aviation and space capabilities, drive the growth of new industries, strengthen our competitive edge in human spaceflight and scientific research and prepare the next generation of leaders in the field. To maximize funding in a fiscally-constrained time, the Budget also reflects boosts to efficiency of NASA facilities and operational streamlining.

Invests in America's Global Leadership and Competitiveness

Strengthens Long-duration Human Spaceflight. The International Space Station is where we are learning how to live and work in space. The President's Budget supports the operation and enhancement of the International Space Station through at least 2020, maintaining the Nation's leadership in human space flight and sustaining the longest continuous human space flight mission in history. The Budget also bolsters implementation of a non-profit organization which will make the Space Station's unique research capabilities available to the Nation's researchers and innovators—fulfilling the promise of the Space Station as a national laboratory.

Drives Innovation in the Aerospace Industry. Many of today's space technologies still rely on capabilities developed decades ago. The Administration supports NASA's efforts to drive innovation through the aerospace sector by increasing funding for space technology programs that will make American satellites more capable and efficient; funding multiple teams at a wide variety of aerospace firms to develop innovative new crew transportation systems that will stimulate the commercial space sector and support the International Space Station; and supporting green aviation technologies through innovative fundamental research and systems-level applications to reduce fuel needs, noise, and emissions of aircraft.

Creates New Opportunities for the Nation's Aerospace Workforce. The retirement of the Space Shuttle in 2011 is ushering in a transition period for the Nation's human space flight workforce. To smooth the transition, the Administration proposes new opportunities for the Nation's vital aerospace workforce. Workers will have opportunities to participate in efforts to develop a heavy-lift rocket and crew vehicle to carry astronauts beyond Earth's orbit, and to revitalize and modernize Kennedy Space Center and the Florida launch range. Additional jobs will be created by companies competing to deliver crew and cargo to the International Space Station. The Administration also protects the pensions of those who have devoted their careers to the space shuttle program, and supports NASA's efforts to inspire and educate future aerospace workers through partnerships and innovation that will bring NASA's discoveries into America's schools.

Improves Our Understanding of Global Climate Change. NASA's Earth science program conducts first-of-a-kind demonstration flights of sensors in air and space in an effort to foster scientific understanding of the Earth system and to improve the ability to forecast climate change and natural disasters. The Administration's proposal supports several research satellites currently in development, a campaign to monitor changes in polar ice sheets, enhancements to climate models, and NASA contributions to the National Climate Assessment.

Advances Our Understanding of the Universe Through Groundbreaking Innovations. NASA's space probes, rovers, and telescopes have revolutionized humanity's scientific understanding of the cosmos. The Administration's proposal supports space science research grants and dozens of operating missions and telescopes currently studying the planets and stars as well as many more in development. The James Webb Space Telescope, the successor to the Hubble, is placed on a stable funding path that allows for completion of the project while maintaining a balanced astrophysics program that responds to National Research Council priorities, supports the robust suite of capabilities that are currently available, and furthers the development of revolutionary new approaches for observing the universe. The Administration also proposes funding for early work on a mission that will make the closest-ever approach to the Sun, flying through its outer atmosphere in an attempt to understand how it is heated and how it ejects the stream of charged particles known as the solar wind. Funding is also included for the initial operations of three new spacecraft, destined for the Moon, Mars, and Jupiter.

Maximizes Taxpayer Dollars

Boosts Efficiency of NASA Facilities. NASA facilities cover 124,494 acres and the Agency directly employs 18,500 civil servants. In keeping with broader Administration efforts, the Budget supports a number of initiatives to make NASA operate more efficiently. Today, over 80 percent of NASA buildings are beyond their design life. The Budget strengthens the Agency's recapitalization fund, enabling NASA to replace and/or modernize inefficient buildings, providing jobs to the local communities and leading to increasingly efficient use of taxpayer dollars.

Finds Innovative Ways to Use NASA Assets. The Administration proposes that NASA receive new authority to enter into innovative partnerships with utility companies to provide clean energy to NASA Centers and the communities that surround them.

Cuts Costs by Streamlining Operations. In addition to the facilities savings, the President's Budget saves over $100 million in administrative costs by streamlining agency operations.

National Aeronautics and Space Administration

(In millions of dollars)

	Actual	Estimate	
	2010	2011	2012
Spending			
Discretionary Budget Authority:			
Science	4,498		5,017
Exploration	3,777		3,949
Aeronautics	497		569
Space Operations	6,142		4,347
Space Research and Technology	—		1,024
Education	181		138
Cross Agency Support	3,141		3,192
Construction and Environmental Compliance and Restoration	453		450
Inspector General	36		38
Total, Discretionary budget authority	18,725	18,900	18,724
Total, Discretionary outlays	18,912	19,491	18,188
Mandatory Outlays:			
All other general funds and proprietary receipts	–7	–15	–15
Science, Space, and Technology Education Trust Fund	1	1	1
Total, Mandatory outlays	–6	–14	–14
Total, Outlays	18,906	19,477	18,174

NATIONAL SCIENCE FOUNDATION

Funding Highlights:

- Provides $7.8 billion for the National Science Foundation, an increase of 13 percent above the 2010 enacted level. Investments are made in areas that contribute to the President's Plan for Science and Innovation. Savings are also created by reducing funding for low-performing and lower-priority education and research programs.
- Demonstrates the Administration's commitment to research and development as a driver of economic growth, consistent with the President's plan to double funding for key basic research agencies.
- Fosters the development of a clean energy economy by providing $998 million for a cross-agency sustainability research effort focused on renewable energy technologies and complex environmental- and climate-system processes.
- Supports job creation in advanced manufacturing and emerging technologies with significant increases for multidisciplinary research targeted at next-generation computer chips, wireless communications, and robotics technologies.
- Invests in the growth of America's science and technology workforce with $20 million for recruiting and retaining undergraduate students from under-represented groups.
- Invests in the next generation of math and science teachers with a new $20 million research and development program aimed at improving the preparation and professional development of future educators in these fields.
- Builds first-of-a-kind distributed research facilities to continuously monitor the Nation's environment and oceans.

The National Science Foundation (NSF) is the key Federal grant-making agency responsible for supporting the full breadth of non-biomedical science and technology research at the Nation's universities and colleges. NSF accounts for approximately 20 percent of all federally-supported basic research conducted by academic institutions, and for approximately 40 percent of federally-supported non-biomedical university basic research. NSF's research programs and high-tech workforce development programs help drive future economic growth, global competitiveness and the creation of high-wage jobs for American workers. NSF is also a primary contributor implementing the President's Plan for Science and Innovation. To support this critical mission as the Nation's economy grows, the President's 2012 Budget provides $7.8 billion, an increase of 13 percent above the 2010 enacted level. In keeping with the Administration's efforts to reduce costs wherever possible, funding has been eliminated or reduced for lower priority education and research programs that achieved their original goals, showed mixed results, or did not align well with NSF's core mission responsibilities.

Invests in American Competitiveness

Supports the Development of a Clean Energy Economy. The Administration proposes $998 million for the second year of a cross-agency Science, Engineering and Education for Sustainability initiative that will take an integrated approach to increasing U.S. energy independence, enhancing environmental stewardship, reducing energy and carbon intensity, and generating sustained economic growth. In conjunction with this initiative, the Administration proposes $576 million, an increase of $209 million over the 2010 enacted level, for research—such as nanotechnology and biotechnology—that will lead to breakthroughs in the clean energy technologies of the future.

Lays the Groundwork for the Industries and Jobs of the Future and a Renaissance in American Manufacturing. The Administration proposes significant increases for research leading to new advanced manufacturing technologies and the most promising fields likely to create new industries, businesses, and high quality jobs. Specifically, the Administration proposes $35 million for a nanotechnology manufacturing initiative, $30 million in next-generation robotics technologies, and $96 million for an interdisciplinary program aimed at eventually replacing current computer chip technologies. All three of these initiatives involve multiple agencies and critical partnerships with the private sector. The Administration also proposes an additional $87 million in advanced manufacturing activities, including expanded university-industry research partnerships and regional innovation ecosystems, clean energy manufacturing research, and new research at the intersection of biology, the physical sciences, and engineering. The Administration also proposes $117 million for "cyberinfrastructure" activities that will accelerate the pace of discovery in all research disciplines, and $12 million for a new program that will fund a suite of activities that promote greater interdisciplinary research. Finally, the Administration proposes to allocate spectrum auction receipts from the Wireless Innovation Fund ($150 million in 2012 and $1 billion over five years) to NSF for targeted research on experimental wireless technology testbeds, more flexible and efficient use of the radio spectrum, and cyber-physical systems such as wireless sensor networks for smart buildings, roads, and bridges.

Builds Cutting-Edge Research Facilities to Study the Nation's Environment and Oceans. The richness and diversity of America's ecosystem and the oceans that flank America's coasts have been a critical part of the Nation's economy and growth throughout history. Accordingly, the Administration proposes $88 million for the second year of construction of the National Ecological Observatory Network (NEON). NEON will collect data across the United States on the impacts of climate change, land use change, and invasive species on natural resources and biodiversity. The Administration also proposes $103 million for the fourth year of construction of the Ocean Observatories Initiative (OOI). OOI will consist of an integrated network of deep-sea buoys, regional cabled nodes on the seafloor, and coastal observatories that will provide continuous, interactive access to the ocean.

Broadens Participation of Those Studying Science and Technology. Science and technology skills are increasingly critical to getting high-wage jobs. To broaden access to science and technology educational opportunities, the Administration proposes $20 million for an overarching, comprehensive science and technology workforce program to engage undergraduates from historically unrepresented groups in these fields, including students at Hispanic-serving institutions. In addition, this effort will support initiatives to better retain these students through their entry into the high-tech workforce.

Improves the Preparation and Continuing Development of Math and Science Teachers. The Administration proposes $40 million to launch a new teacher-training research and development program, with $20 million for K-12 Teachers and $20 million for Undergraduate Teachers.

- *K-12 STEM Teachers.* The Teacher Learning for the Future program, drawing resources from several existing NSF teacher-focused programs, will fund new lines of research and development needed for the rapid improvement of the preparation and continued professional learning of the math and science teachers of tomorrow. In cooperation with the Department of Education, the program will fund innovative efforts that design, develop, implement, and test new teacher-training programs and fund new lines of research and development needed for the rapid improvement of the preparation and continued professional learning of the math and science teachers of tomorrow.

- *Undergraduate STEM Teachers.* This new companion program will transform the way science, engineering, and math is taught to undergraduate students. Competitive proposals will target the teaching of all undergraduate courses and the teaching practices of all faculty members in a department for all, or most, of the relevant departments at an institution. This will build on past NSF work demonstrating improved instructional methods for individual teachers and courses. This program will support research on how to achieve widespread sustainable implementation of improved STEM undergraduate teaching practices and student outcomes at major universities, particularly for future K-12 STEM teachers, as well as providing demonstration models.

Spends Research Dollars More Wisely

Reduces and Terminates Low-Impact Research and Science Education. NSF has long operated with a relatively low administrative overhead, but the Administration proposes to use technology solutions and streamlined procurements to achieve ever greater administrative efficiencies including increased use of videoconferencing in lieu of travel, pooled supply purchases, and a reduction in support service contracts. In addition to these changes to agency operations, the Administration proposes to terminate a number of education programs and research facilities that have either fulfilled their original purpose, failed to demonstrate progress toward achieving their purpose, or do not fit within the Foundation's core competencies. The Administration proposes to repurpose the savings from these administrative efficiencies and low-priority program terminations to provide increases for high priority areas of basic research, innovation, workforce development and science education.

National Science Foundation
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Research and Related Activities	5,564		6,254
Education and Human Resources	873		911
Major Research Equipment and Facilities Construction	117		225
Agency Operations and Award Management	300		358
Office of the Inspector General	14		15
Office of the National Science Board	5		5
Total, Discretionary budget authority	6,873	7,424	7,768
Total, Discretionary outlays	6,607	8,415	7,626
Mandatory Outlays:			
Legislative proposal, Wireless Innovation Fund	—	—	150
H-1B Fee Programs	114	155	132
All other	-2	32	-2
Total, Mandatory outlays	112	187	280
Total, Outlays	6,719	8,602	7,906

SMALL BUSINESS ADMINISTRATION

Funding Highlights:

- Provides $985 million, a 45 percent decline from 2010 enacted funding, which included $962 million in supplemental appropriations. Excluding supplemental funding, the 2012 request is $161 million higher primarily due to increased estimated credit subsidy costs. Funding for administrative costs and Small Business Development Centers will go down as a result of fiscal restraints.
- Supports $27 billion in loan guarantees for small businesses to enable them to invest, expand, and create jobs.
- Promotes impact investment in economically distressed regions.
- Helps innovative small businesses obtain early-stage financing.
- Encourages business development and economic growth through funding for technical assistance, including competitive grants to develop business leaders in underserved markets and to help businesses benefit from regional economic strategies.
- Continues implementation of Small Business Jobs Act initiatives, promoting technical assistance and small business exporting.
- Provides long-term disaster recovery loans for homeowners, renters, and businesses of all sizes.
- Strengthens lender and procurement program oversight to protect taxpayer dollars.
- Upgrades the Agency's financial management systems to improve the financial integrity and efficiency of SBA credit programs.

Small businesses play a vital role in job creation, economic recovery, global competitiveness, and the long-term strength of the Nation. The Small Business Administration's (SBA) mission is to help Americans start, build, and grow businesses. To deliver on this promise, the Administration proposes $985 million, a substantial decline from 2010 enacted funding, which included significant supplemental appropriations for fee reductions and credit programs. Small business loan guarantees are funded in 2012 at historical fee and guarantee levels, but reflect higher estimated loss rates. As part of the Government-wide effort to reduce spending, funding for administrative costs and Small Business Development Centers will decrease.

Invests in America's Businesses to Foster Economic Growth and Competitiveness

Spurs Job Creation by Enhancing Small Business Access to Credit. Small businesses are the engine of economic growth and job creation. That is why the Administration is taking a series of steps to improve the access to capital for small businesses. First, the Administration supports $16.5 billion in 7(a) loan guarantees, which will help small businesses operate and expand. This includes an estimated $14.5 billion in term loans and $2 billion in revolving lines of credit; the latter are expected to support $48 billion in total economic activity through draws and repayments over the life of the guarantee. The Administration also supports $7.5 billion in guaranteed lending for commercial real estate development and heavy machinery purchases; $3 billion in Small Business Investment Company (SBIC) debentures to support new businesses and new jobs through early-stage and mezzanine small business financing; and $25 million in direct Microloans, for intermediaries to provide small loans to emerging entrepreneurs and other borrowers unable to receive credit elsewhere.

Promotes Impact Investment in Economically Distressed Regions, for Disadvantaged Groups, and in Sections of National Significance. Beginning in 2012, SBA will be leveraging the SBIC debenture program to support $200 million annually over the next five years in impact investments that are "place-based" (located in or employing residents of economically distressed regions); "people-based" (owned or managed by women, veterans, or a member of a socially or economically disadvantaged group); or "sector-based" (sectors that have been identified as national priorities). Two other initiatives—the Small Loan Advantage and Community Advantage programs—will increase the number of SBA 7(a) loans going to small businesses and entrepreneurs in underserved communities.

Helps Innovative Small Businesses Obtain Early-Stage Financing. SBA will also create within the SBIC debenture program a new vehicle—the Innovation Fund—to address the capital gap many start-ups face between "angel investor" financing and later-stage venture capital financing. Over each of the next five years, up to $200 million in guarantees for matching funds will be available to investors aiming to support innovative companies seeking to ramp up their operations and create new jobs.

Helps Small Businesses Grow Smarter. Entrepreneurs can be found in every part of the Nation. However, some need assistance to develop their idea fully into a growing business and start hiring new employees. That is why the Administration includes $15 million for competitive technical assistance grants to support SBA's Emerging Leaders initiative and to enhance small business participation in regional economic clusters. The Emerging Leaders initiative provides intensive technical assistance to companies that have high growth potential and are located in distressed economic areas, such as inner cities and Native American communities, and connects them to regional business networks to accelerate economic and job growth. SBA will also promote small business participation in regional economic clusters by awarding competitive grants to facilitate greater coordination of resources such as business counseling, training, and mentor-protégé partnerships.

Fully Funds and Reforms Long-Term Disaster Recovery. The Administration supports $1.1 billion in direct loans, the normalized 10-year average, for homeowners and businesses whose property is damaged by natural disasters. The Administration also proposes $167 million for disaster-loan administrative expenses. SBA will streamline staffing and operations to use administrative funds in the most effective and cost-efficient manner, which is expected to provide savings relative to operating levels in recent years.

Improves Cost-Effectiveness

Prioritizes Resources by Reducing Overlapping Funding and Extending Tax Breaks. In 2012, small businesses will continue to benefit from technical assistance funded by the Small Business Jobs Act, which for the 2011 and 2012 period provided $50 million to Small Business Development Centers (SBDCs) and $60 million for grants to States and localities to help small businesses export. Given the availability of these funds and fiscal constraints, the Budget proposes modest reductions in the level of additional SBDC funding requested for 2012. The Act also provided a variety of other credit program expansions and tax changes that are significantly benefiting small businesses, and the Administration proposes to permanently extend the Act's provision eliminating all capital gains taxes on investments in small business stock in order to enhance the flow of capital to small businesses.

Helps Make the Guaranteed Loan Program Self-Sufficient. Due to the economic downturn and higher defaults on prior loans, SBA's guaranteed loan programs are recording in 2011 a $3.7 billion increase in losses and subsidy costs on their outstanding loan portfolios, excluding interest, particularly on guarantees made between 2004 and 2008. To strengthen these programs' long-term economic foundation, the Administration will submit a legislative package to provide SBA the flexibility to adjust fees in these programs to enable them to be self-sustaining over time. These changes in the program's fee structure would become effective for loans originated in 2013.

Strengthens Core Agency Capabilities. The Administration provides the resources needed to upgrade the agency's financial management systems in order to improve the financial integrity and efficiency of its loan operations. SBA is also modifying its procurement strategy for the Loan Management and Accounting System to better ensure the system delivers results.

Small Business Administration
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Salaries and Expenses	434		427
Business Loans:			
Loan Subsidy	83		215
Loan Administration	153		148
Subtotal, Business Loans	236		363
Disaster Loans:			
Loan Subsidy	2		—
Loan Administration	76		167
Subtotal, Disaster Loans	78		167
Office of the Inspector General	16		18
Office of Advocacy	—		9
Surety Bond Revolving Fund	1		—
Unrequested Projects	59		—
Total, Discretionary budget authority	824	993	985

Small Business Administration—Continued
(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Memorandum:			
Budget authority from supplementals	962	—	—
Total, Discretionary outlays	1,453	1,504	1,212
Mandatory Outlays:			
Business Loan Subsidy Reestimates	4,472	4,530	—
Disaster Loan Subsidy Reestimates	211	192	—
Liquidating Credit Accounts	–8	–8	–7
Total, Mandatory outlays	4,675	4,714	–7
Total, Outlays	6,128	6,218	1,205
Credit activity			
Direct Loan Disbursements:			
Direct Disaster Loans	388	1,100	1,100
Direct Business Loans	32	37	33
Total, Direct loan disbursements	420	1,137	1,133
Guaranteed Loan Commitments:			
Guaranteed Business Loans	14,156	23,900	23,900
Guaranteed Disaster Loans	—	19	63
Total, Guaranteed loan commitments	14,156	23,919	23,963

SOCIAL SECURITY ADMINISTRATION

Funding Highlights:

- Provides $12.5 billion, an increase of $1 billion above 2010, to keep the President's promise to reduce the backlog of disability claims. To pursue cost savings, the Budget provides resources to more effectively and efficiently process disability reviews and to enhance long-term program integrity.
- Invests in increased program integrity by providing $938 million, targeted at expanding efforts that ensure the agency makes payments to the right person and in the right amount, in order to generate cost savings.
- Proposes an interagency pilot to improve outcomes for children in the Supplemental Security Income program.
- Proposes a pilot program to explore ways to help disabled Americans return to work.

The Social Security Administration (SSA) administers the Old Age, Survivors, and Disability Insurance program and the Supplemental Security Income (SSI) program. The President believes that all Americans should have the opportunity to retire with dignity. To fund this commitment, the President's Budget includes $12.5 billion for SSA operations; an increase of $1 billion above 2010 to keep the President's commitment to reduce the backlog of disability claims. The Budget also reflects the need to find areas for cost savings wherever possible. Accordingly, the Budget includes funding to more effectively and efficiently process thousands of continuing disability reviews to enhance program integrity for long-term savings, and supports disability pilot programs to help ensure that only successful and cost-effective programs are implemented.

Protects Social Security. The President recognizes that Social Security is indispensable to workers, people with disabilities, seniors, and survivors and is probably the most important and most successful program ever established in the United States. Based on current forecasts, Social Security can pay full benefits until 2037. The President is committed to making sure that Social Security is solvent and viable for the American people, now and in the future. He is strongly opposed to privatizing Social Security and looks forward to working in a bipartisan way to preserve it for future generations. The President has laid out six principles for reform, which will guide bipartisan talks on strengthening Social Security in the long term.

Pursues New Ways to Improve Service Delivery

Pilots a Simpler Approach to Disability Work Rules. The Administration proposes a new Disability Insurance Work Incentives Simplification Pilot (WISP) to provide beneficiaries a simpler set of work rules that no longer terminates benefits based solely on earnings. As a result, beneficiaries would have more flexibility to try working when it is best for their needs, without fear of losing their benefits. The Administration also proposes five-year reauthorization of SSA's section 234 demonstration authority for the Disability Insurance program, allowing SSA to test other program innovations. The Administration will work with the Congress to develop a fully offset legislative package for these proposals.

Improves Services for Children with Disabilities. The Administration proposes an interagency pilot, Promoting Readiness of Minors in SSI (PROMISE), to improve outcomes for children in the SSI program. With $40 million in funding between Department of Education and SSA, the Budget will provide competitive grants to test and evaluate interventions that successfully improve child and family outcomes and result in children leaving the SSI program.

Improves Tax Administration by Restructuring the Federal Wage Reporting Process. The Administration proposes to restructure the Federal wage reporting process by reverting to quarterly wage reporting. Currently, wages are reported to the Federal Government once a year. Increasing the timeliness of wage reporting would enhance tax administration and improve program integrity for a range of programs. The Administration will work with the States to ensure that the overall reporting burden on employers is not increased.

Reduces the Disability Claims Backlog. Disability programs are at the forefront of the agency's operations. The Budget funds SSA to lower the initial claims backlog to 632,000 by processing over three million claims. By hearing approximately 822,500 cases in 2012, the backlog will fall to 597,000 hearings pending. The wait time for a hearings decision will fall below a year for the first time in a decade. In addition, the Administration will establish a Disability Research Center through the Social Security Administration's research office. This Center will work across agencies and in collaboration with outside researchers to improve the quality of disability research.

Cuts Waste

Steps up Efforts to Reduce Payment Errors and Boost Program Integrity. SSA's program integrity efforts are part of a strong framework for making sure the Government is spending tax dollars efficiently and that SSA pays benefits only to eligible beneficiaries and in the correct amounts. The President's Budget provides $938 million for SSA program integrity, including an increase of more than 60 percent in the level of medical Continuing Disability Reviews over the prior year. Continuing Disability Reviews make sure that Disability Insurance and SSI recipients continue to meet the medical criteria for those programs. The Budget includes additional processing capacity within the agency devoted to program integrity, which will lead to over $260 million in further savings.

Social Security Administration

(In millions of dollars)

	Actual 2010	Estimate 2011	Estimate 2012
Spending			
Discretionary Budget Authority:			
Limitation on Administrative Expenses (LAE) Base [1]	11,304		12,358
Office of Inspector General	103		107
Research and Development	42		31
Total, Discretionary budget authority	11,449	12,169	12,496
Memorandum:			
American Recovery and Reinvestment Act rescission [2]	*–47*	—	—
Total, Discretionary outlays	11,298	12,538	12,506
Mandatory Outlays:			
Old-age, Survivors, and Disability Insurance	700,719	727,617	760,669
Supplemental Security Income [3]	47,255	52,720	47,565
Special Benefits for Certain World War II Veterans	8	9	7
Offsetting Collections	–26,313	–106,027	–58,614
Economic Recovery Payments	117	30	—
Legislative proposals	—	14,270	-45
All other	22,862	102,354	55,056
Total, Mandatory outlays	744,648	790,973	804,638
Total, Outlays	755,946	803,511	817,144

[1] The LAE account includes funding from the Hospital Insurance and Supplementary Medical Insurance trust funds for services that support the Medicare program, including implementation of Medicare Reform.
[2] Section 318 of P.L. 111-26 rescinded $47 million from SSA's ARRA funds.
[3] This amount does not include the effect of State Supplementation offsetting collections.

CORPORATION FOR NATIONAL AND COMMUNITY SERVICE

Funding Highlights:

- Provides $1.3 billion, 9 percent above 2010 funding levels.
- Supports growth in AmeriCorps to 90,000 members, providing more Americans with opportunities to serve their communities.
- Fosters the replication of innovative and proven programs through the Social Innovation Fund.
- Creates a demonstration project within Senior Corps that will support and test promising approaches to engaging retiring Americans in service.

The President believes that public service can help to address our Nation's greatest challenges, and that serving our fellow Americans can help speed our economic recovery. The Corporation for National and Community Service (CNCS) provides an on-ramp for Americans of all ages to serve their community and country in sustained and effective ways throughout their lives, from tutoring at-risk youth to responding to natural disasters, to building the capacity of community organizations. Some of the brightest solutions to America's challenges can be found outside of Washington in communities across the country. The Budget proposes $1.3 billion for CNCS, a 9 percent increase above 2010 funding levels. Although reaching the goal of engaging 250,000 AmeriCorps members will be extremely difficult in the constrained environment, the Budget provides Americans with more opportunities to serve and fosters community innovation across the country.

Investing in Community Solutions and a Skilled America

Supports National Service. The Budget funds 90,000 AmeriCorps members, enabling Americans to serve and building the capacity of the nonprofit sector to find innovative solutions to social problems. The Budget also focuses national service resources in those areas where service can achieve the greatest results for communities, and invests in program evaluation to determine what forms of service are most effective.

Supports Innovative Non-Profits. Innovative solutions for addressing critical national challenges can only be executed with the capital to develop, evaluate, and replicate successful approaches. The Budget invests $70 million in the Social Innovation Fund to test promising new approaches to major challenges, leverage private and foundation capital to meet these needs, and grow evidence-based programs.

Engages Retiring Americans in Service. Many older Americans are eager to serve our Nation and they have a wide range of skills and knowledge to give back to their fellow Americans. The President's Budget sets aside $5 million to create a demonstration program within Senior Corps, which connects individuals over the age of 55 to local volunteer opportunities. This new initiative will test innovative, evidence-based approaches to engaging low-income seniors in opportunities to serve two vulnerable populations: children and youth at risk of failing to perform at grade level and veterans in home-based primary care and their care-givers.

Corporation for National and Community Service
(In millions of dollars)

	Actual	Estimate	
	2010	2011	2012
Spending			
Discretionary Budget Authority:			
Operating Expenses	1,054		1,153
AmeriCorps (non-add)	*698*		*770*
Learn and Serve America (non-add)	*40*		*40*
Senior Corps (non-add)	*221*		*226*
Social Innovation Fund (non-add)	*50*		*70*
Salaries and Expenses	88		98
Office of the Inspector General	8		8
Total, Discretionary budget authority	1,150	1,416	1,259
Total, Discretionary outlays [1]	1,034	1,013	1,077
Mandatory Outlays:			
Interest, National Service Trust	-2	17	34
Total, Mandatory outlays	-2	17	34
Total, Outlays	1,032	1,030	1,111

[1] This table reflects the correct total discretionary outlay amounts for 2011 and 2012 consistent with the policy in the President's Budget. However, the discretionary outlays in the database supporting the President's Budget are inadvertently understated for 2011 by $420 million, and overstated for 2012 by $505 million as a result of incorrect spendout rates. This error will be corrected during the 2012 Mid-Session Review.

SUMMARY TABLES

Table S–1. Budget Totals

(In billions of dollars and as a percent of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012-2016	Totals 2012-2021
Budget Totals in Billions of Dollars:														
Receipts	2,163	2,174	2,627	3,003	3,333	3,583	3,819	4,042	4,257	4,473	4,686	4,923	16,366	38,747
Outlays	3,456	3,819	3,729	3,771	3,977	4,190	4,468	4,669	4,876	5,154	5,422	5,697	20,134	45,952
Deficit	1,293	1,645	1,101	768	645	607	649	627	619	681	735	774	3,769	7,205
Debt held by the public	9,019	10,856	11,881	12,784	13,562	14,301	15,064	15,795	16,513	17,284	18,103	18,967		
Debt net of financial assets	7,894	9,505	10,585	11,344	11,988	12,595	13,243	13,869	14,488	15,169	15,903	16,677		
Gross domestic product (GDP)	14,508	15,080	15,813	16,752	17,782	18,804	19,791	20,755	21,679	22,624	23,608	24,633		
Budget Totals as a Percent of GDP:														
Receipts	14.9%	14.4%	16.6%	17.9%	18.7%	19.1%	19.3%	19.5%	19.6%	19.8%	19.9%	20.0%	18.3%	19.0%
Outlays	23.8%	25.3%	23.6%	22.5%	22.4%	22.3%	22.6%	22.5%	22.5%	22.8%	23.0%	23.1%	22.7%	22.7%
Deficit	8.9%	10.9%	7.0%	4.6%	3.6%	3.2%	3.3%	3.0%	2.9%	3.0%	3.1%	3.1%	4.3%	3.7%
Debt held by the public	62.2%	72.0%	75.1%	76.3%	76.3%	76.1%	76.1%	76.1%	76.2%	76.4%	76.7%	77.0%		
Debt net of financial assets	54.4%	63.0%	66.9%	67.7%	67.4%	67.0%	66.9%	66.8%	66.8%	67.0%	67.4%	67.7%		
Memorandum, budget totals with AMT relief fully paid for:														
In billions of dollars:														
Deficit	1,293	1,645	1,101	768	645	579	475	452	415	445	463	464		
Debt held by the public	9,019	10,856	11,881	12,784	13,562	14,274	14,862	15,419	15,932	16,467	17,015	17,568		
Debt net of financial assets	7,894	9,505	10,585	11,344	11,988	12,567	13,041	13,493	13,907	14,352	14,815	15,278		
As a percent of GDP:														
Deficit	8.9%	10.9%	7.0%	4.6%	3.6%	3.1%	2.4%	2.2%	1.9%	2.0%	2.0%	1.9%		
Debt held by the public	62.2%	72.0%	75.1%	76.3%	76.3%	75.9%	75.1%	74.3%	73.5%	72.8%	72.1%	71.3%		
Debt net of financial assets	54.4%	63.0%	66.9%	67.7%	67.4%	66.8%	65.9%	65.0%	64.2%	63.4%	62.8%	62.0%		

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012-2016	Totals 2012-2021
Projected deficits in the adjusted baseline[1]	**1,597**	**1,090**	**846**	**770**	**841**	**938**	**890**	**891**	**960**	**1,045**	**1,116**	**4,486**	**9,387**
Percent of GDP	10.6%	6.9%	5.1%	4.3%	4.5%	4.7%	4.3%	4.1%	4.2%	4.4%	4.5%	5.1%	4.7%
Mandatory, revenue, and discretionary non-security proposals:													
Mandatory and Revenue proposals:													
Tax cuts for families and businesses[2]	1	23	32	30	35	40	42	43	46	49	52	160	392
Other revenue changes and loophole closers[3]	–*	–17	–29	17	–43	–88	–40	–36	–29	–42	–37	–159	–344
Pay for three years of AMT relief by reducing the value of certain tax expenditures	....	–6	–19	–26	–30	–33	–36	–39	–41	–44	–47	–114	–321
Reauthorize Surface Transportation	....	–13	–6	–11	–13	–10	–7	–5	–6	–7	–9	–53	–87
Policy for physicians relief from sustainable growth rate formula (SGR)	....	17	26	5	–5	–6	–7	–7	–7	–10	–14	37	–8
Other proposed changes in mandatory programs and user fees	18	9	2	–16	–29	–25	–29	–27	–20	–20	–21	–59	–176
Subtotal, mandatory and revenue proposals	19	14	6	–3	–84	–121	–76	–72	–58	–74	–77	–188	–544
Freeze discretionary non-security funding through 2015	**12**	**–6**	**–20**	**–33**	**–47**	**–47**	**–50**	**–48**	**–51**	**–48**	**–57**	**–153**	**–406**
Debt service and indirect interest effects	*	–*	–1	–*	–3	–10	–17	–23	–29	–35	–42	–15	–161
Subtotal, mandatory, revenue, and non-security discretionary proposals	**31**	**8**	**–15**	**–36**	**–134**	**–178**	**–143**	**–142**	**–138**	**–157**	**–176**	**–355**	**–1,111**
Proposed changes in discretionary security programs:													
Overseas contingency operations (OCO)	3	–19	–82	–107	–115	–120	–123	–126	–129	–133	–136	–443	–1,090
Other security proposals	15	22	18	20	22	21	20	20	18	15	11	104	188
Debt service	*	*	–*	–3	–8	–12	–18	–23	–29	–35	–42	–23	–170
Subtotal, discretionary security proposals	**17**	**3**	**–64**	**–90**	**–100**	**–111**	**–120**	**–130**	**–140**	**–153**	**–167**	**–362**	**–1,072**
Total deficit reduction	**48**	**11**	**–79**	**–125**	**–234**	**–289**	**–263**	**–272**	**–278**	**–310**	**–342**	**–717**	**–2,182**
Resulting deficits in 2012 Budget	**1,645**	**1,101**	**768**	**645**	**607**	**649**	**627**	**619**	**681**	**735**	**774**	**3,769**	**7,205**
Percent of GDP	10.9%	7.0%	4.6%	3.6%	3.2%	3.3%	3.0%	2.9%	3.0%	3.1%	3.1%	4.3%	3.7%

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

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

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012-2016	Totals 2012-2021
Memorandum, costs avoided by allowing upper-income tax cuts to expire:													
Additional cost of extending the 2001 and 2003 tax cuts for high-income taxpayers	....	6	35	53	63	73	82	89	96	102	109	230	709
Additional cost of extending the current estate tax cut	*	*	1	8	9	10	12	13	14	15	16	28	98
Debt service	....	*	1	3	6	10	14	19	25	31	38	19	147
Total, costs avoided by allowing upper-income tax cuts to expire	*	6	36	64	78	94	108	121	134	149	163	278	953
Memorandum, budget authority savings from Department of Defense (DOD) request:													
Savings versus DOD 2011 Future Years Defense Plan	....	–13	–11	–11	–18	–24	n/a	n/a	n/a	n/a	n/a	–78	n/a

* $500 million or less.

[1] See tables S-3 and S-7 for information on the adjusted baseline.

[2] Includes the effects of continuing certain expiring provisions through calendar year 2012.

[3] Includes incentives to promote regional growth, trade initiatives and other tax initiatives on Table S-8.

Table S–3. Adjusted Baseline by Category[1]

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Outlays:														
Appropriated ("discretionary") programs:														
Security	815	891	881	882	895	910	928	948	970	992	1,015	1,039	4,497	9,460
Non-security	491	496	462	444	444	449	455	462	473	485	497	509	2,254	4,680
Subtotal, appropriated programs	1,306	1,386	1,344	1,326	1,339	1,359	1,383	1,410	1,443	1,477	1,512	1,548	6,751	14,141
Mandatory programs:														
Social Security	701	727	761	802	847	895	947	1,004	1,065	1,129	1,199	1,272	4,252	9,922
Medicare	446	488	468	501	529	554	601	617	637	692	742	792	2,653	6,133
Medicaid	273	276	269	289	354	394	431	462	493	528	563	606	1,737	4,387
Troubled Asset Relief Program (TARP)[2]	–110	–28	13	10	5	4	2	1	*	*	*	....	34	35
Other mandatory programs	644	713	598	548	571	608	659	666	672	712	741	780	2,984	6,555
Subtotal, mandatory programs	1,954	2,177	2,109	2,150	2,306	2,455	2,640	2,750	2,866	3,061	3,245	3,450	11,660	27,032
Net interest	196	205	240	322	421	505	584	661	730	798	863	928	2,072	6,051
Disaster costs[3]	....	2	6	8	8	9	10	10	10	10	10	10	42	92
Total outlays	3,456	3,771	3,699	3,805	4,075	4,328	4,617	4,831	5,049	5,346	5,629	5,936	20,524	47,316
Receipts:														
Individual income taxes	899	956	1,145	1,339	1,491	1,628	1,765	1,898	2,028	2,157	2,282	2,404	7,368	18,136
Corporation income taxes	191	198	327	397	478	435	403	462	467	478	480	502	2,039	4,428
Social insurance and retirement receipts:														
Social Security payroll taxes	632	559	660	732	776	820	874	919	968	1,017	1,059	1,112	3,861	8,937
Medicare payroll taxes	180	187	202	217	236	250	267	282	297	312	325	342	1,171	2,730
Unemployment insurance	45	52	57	64	68	71	74	70	71	72	70	73	334	690
Other retirement	8	8	8	8	8	9	9	9	9	9	10	10	42	89
Excise taxes	67	74	80	87	98	103	105	109	115	125	129	134	473	1,084
Estate and gift taxes	19	12	13	14	23	26	28	30	33	35	38	40	103	279
Customs duties	25	28	31	34	36	39	40	43	45	48	51	53	181	420
Deposits of earnings, Federal Reserve System	76	80	66	47	38	37	41	45	47	49	52	53	230	476
Other miscellaneous receipts	21	19	20	20	53	69	73	75	79	84	90	96	235	659
Total receipts	2,163	2,174	2,609	2,959	3,305	3,487	3,679	3,942	4,159	4,386	4,584	4,820	16,038	37,928
Deficit	**1,293**	**1,597**	**1,090**	**846**	**770**	**841**	**938**	**890**	**891**	**960**	**1,045**	**1,116**	**4,486**	**9,387**
Net interest	196	205	240	322	421	505	584	661	730	798	863	928	2,072	6,051
Primary deficit	**1,097**	**1,392**	**850**	**525**	**349**	**336**	**354**	**229**	**160**	**162**	**182**	**189**	**2,414**	**3,336**

Table S–3. Adjusted Baseline by Category—Continued

(In billions of dollars)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
On-budget deficit	1,370	1,653	1,168	928	859	934	1,044	995	997	1,063	1,133	1,195	4,934	10,316
Off-budget surplus (–)	–77	–56	–77	–82	–89	–93	–106	–105	–107	–103	–88	–78	–447	–928
Memorandum, budget authority for appropriated programs:														
Security	856	848	864	882	901	921	941	963	985	1,008	1,032	1,056	4,510	9,554
Non-security	402	382	424	425	435	444	454	465	476	488	500	513	2,183	4,625
Total, appropriated funding	1,258	1,231	1,287	1,307	1,337	1,366	1,396	1,428	1,461	1,496	1,532	1,569	6,693	14,179

* $500 million or less.

[1] See Table S–7 for information on adjustments to the Budget Enforcement Act (BEA) baseline.

[2] Outlays for TARP in 2011 and subsequent years result from obligations incurred through October 3, 2010 for the Home Affordable Modification

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

Table S–4. Proposed Budget by Category

(In billions of dollars)

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

Table S–4. Proposed Budget by Category—Continued

(In billions of dollars)

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

* $500 million or less.

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

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

Table S–5. Proposed Budget by Category as a Percent of GDP

(As a percent of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Averages 2012-2016	Averages 2012-2021
Outlays:														
Appropriated ("discretionary") programs:														
Security	5.6	6.0	5.6	4.9	4.5	4.3	4.2	4.1	4.0	3.9	3.8	3.7	4.7	4.3
Non-security	3.4	3.4	2.9	2.5	2.3	2.1	2.1	2.0	2.0	1.9	1.9	1.8	2.4	2.2
Subtotal, appropriated programs	9.0	9.4	8.5	7.4	6.9	6.5	6.2	6.1	5.9	5.8	5.7	5.6	7.1	6.5
Mandatory programs:														
Social Security	4.8	4.9	4.8	4.8	4.8	4.8	4.8	4.8	4.9	5.0	5.1	5.2	4.8	4.9
Medicare	3.1	3.2	3.1	3.1	3.1	3.1	3.2	3.1	3.1	3.2	3.3	3.4	3.1	3.2
Medicaid	1.9	1.8	1.7	1.7	2.0	2.1	2.2	2.2	2.2	2.3	2.4	2.4	1.9	2.1
Troubled Asset Relief Program (TARP) [1]	–0.8	–0.2	0.1	0.1	*	*	*	*	*	*	*	....	*	*
Other mandatory programs	4.4	4.7	3.9	3.4	3.2	3.2	3.3	3.2	3.1	3.1	3.1	3.1	3.4	3.3
Subtotal, mandatory programs	13.5	14.5	13.5	13.1	13.1	13.1	13.4	13.4	13.3	13.7	13.9	14.1	13.3	13.5
Net interest	1.4	1.4	1.5	1.9	2.3	2.6	2.8	3.0	3.2	3.3	3.4	3.4	2.3	2.7
Disaster costs [2]	....	*	*	*	*	*	*	*	*	*	*	*	*	*
Total outlays	23.8	25.3	23.6	22.5	22.4	22.3	22.6	22.5	22.5	22.8	23.0	23.1	22.7	22.7
Receipts:														
Individual income taxes	6.2	6.3	7.2	8.0	8.5	8.8	9.0	9.3	9.5	9.7	9.8	9.9	8.3	9.0
Corporation income taxes	1.3	1.3	2.1	2.4	2.5	2.4	2.4	2.3	2.2	2.1	2.1	2.1	2.4	2.3
Social insurance and retirement receipts:														
Social Security payroll taxes	4.4	3.7	4.2	4.4	4.3	4.3	4.4	4.4	4.4	4.5	4.5	4.5	4.3	4.4
Medicare payroll taxes	1.2	1.2	1.3	1.3	1.3	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.3	1.3
Unemployment insurance	0.3	0.3	0.4	0.4	0.4	0.5	0.4	0.4	0.4	0.3	0.3	0.3	0.4	0.4
Other retirement	0.1	0.1	0.1	0.1	*	*	*	*	*	*	*	*	*	*
Excise taxes	0.5	0.5	0.7	0.7	0.8	0.8	0.8	0.7	0.8	0.8	0.8	0.8	0.7	0.7
Estate and gift taxes	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1
Customs duties	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deposits of earnings, Federal Reserve System	0.5	0.5	0.4	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2
Other miscellaneous receipts	0.1	0.1	0.1	0.1	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.3	0.3
Total receipts	14.9	14.4	16.6	17.9	18.7	19.1	19.3	19.5	19.6	19.8	19.9	20.0	18.3	19.0
Deficit	**8.9**	**10.9**	**7.0**	**4.6**	**3.6**	**3.2**	**3.3**	**3.0**	**2.9**	**3.0**	**3.1**	**3.1**	**4.3**	**3.7**
Net interest	1.4	1.4	1.5	1.9	2.3	2.6	2.8	3.0	3.2	3.3	3.4	3.4	2.3	2.7
Primary deficit/surplus (–)	**7.6**	**9.5**	**5.4**	**2.7**	**1.3**	**0.6**	**0.4**	**–***	**–0.3**	**–0.3**	**–0.2**	**–0.3**	**2.1**	**0.9**

Table S–5. Proposed Budget by Category as a Percent of GDP—Continued

(As a percent of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Averages 2012-2016	Averages 2012-2021
On-budget deficit	9.4	11.3	7.4	5.1	4.1	3.7	3.8	3.5	3.3	3.5	3.5	3.5	4.8	4.1
Off-budget surplus (–)	–0.5	–0.4	–0.5	–0.5	–0.5	–0.5	–0.5	–0.5	–0.5	–0.5	–0.4	–0.3	–0.5	–0.5
Memorandum, budget authority for appropriated programs:														
Security	5.9	5.8	5.3	4.7	4.6	4.4	4.3	4.1	4.0	4.0	3.9	3.8	4.7	4.3
Non-security	2.8	2.7	2.5	2.4	2.2	2.1	2.1	2.0	2.0	1.9	1.9	1.9	2.3	2.1
Subtotal, appropriated programs	8.7	8.5	7.9	7.1	6.8	6.5	6.3	6.1	6.0	5.9	5.8	5.6	6.9	6.4

*0.05 percent of GDP or less.

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

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

Table S–6. Proposed Budget in Population- and Inflation-Adjusted Dollars

(In billions of constant dollars, adjusted for population growth)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Outlays:										
Appropriated ("discretionary") programs:										
Security	884	796	763	749	737	729	722	715	707	699
Non-security	456	411	389	368	363	356	356	352	353	346
Subtotal, appropriated programs	1,340	1,207	1,152	1,117	1,100	1,085	1,079	1,067	1,060	1,045
Mandatory programs:										
Social Security	761	779	799	819	841	864	889	914	942	970
Medicare	485	513	526	533	561	561	563	594	618	642
Medicaid	269	280	332	358	380	394	408	424	439	455
Troubled Asset Relief Program (TARP)[1]	13	9	5	4	2	1	*	*	*	....
Other mandatory programs	612	556	538	546	582	574	561	576	579	590
Subtotal, mandatory programs	2,140	2,137	2,200	2,260	2,365	2,393	2,421	2,508	2,578	2,656
Net interest	242	312	394	453	500	541	573	601	624	645
Disaster costs[2]	6	8	8	8	8	9	8	8	8	8
Total outlays	3,729	3,664	3,754	3,839	3,974	4,027	4,081	4,185	4,271	4,354
Receipts:										
Individual income taxes	1,141	1,306	1,424	1,510	1,588	1,658	1,720	1,776	1,823	1,865
Corporation income taxes	329	394	415	417	415	413	401	392	390	392
Social insurance and retirement receipts:										
Social Security payroll taxes	659	709	728	747	774	789	806	823	832	847
Medicare payroll taxes	201	211	222	229	238	243	249	254	257	262
Unemployment insurance	57	59	75	82	78	75	70	59	56	58
Other retirement	8	8	8	8	8	8	8	8	8	8
Excise taxes	103	118	130	133	132	134	137	143	143	145
Estate and gift taxes	14	14	24	25	27	28	29	30	32	33
Customs duties	30	32	34	35	35	36	37	38	39	39
Deposits of earnings, Federal Reserve System	66	46	36	34	36	38	40	40	41	41
Other miscellaneous receipts	20	20	50	63	65	65	66	69	71	74
Total receipts	2,627	2,918	3,146	3,283	3,397	3,486	3,563	3,632	3,692	3,763
Deficit	**1,101**	**746**	**608**	**556**	**577**	**541**	**518**	**553**	**579**	**591**
Net interest	242	312	394	453	500	541	573	601	624	645
Primary deficit/surplus (–)	**860**	**434**	**214**	**103**	**77**	**–***	**–55**	**–48**	**–45**	**–54**

Table S–6. Proposed Budget in Population- and Inflation-Adjusted Dollars—Continued

(In billions of constant dollars, adjusted for population growth)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
On-budget deficit	1,177	824	689	639	669	629	605	636	648	651
Off-budget surplus (–)	–76	–78	–81	–83	–93	–88	–87	–83	–69	–60
Memorandum, budget authority for appropriated programs:										
Security	846	769	766	759	752	743	735	726	718	710
Non-security	397	385	374	363	361	358	357	355	357	349
Subtotal, appropriated programs	1,243	1,154	1,140	1,122	1,113	1,101	1,092	1,081	1,075	1,059
Memorandum, index of population growth and inflation	1.00	1.03	1.06	1.09	1.12	1.16	1.19	1.23	1.27	1.31

*$500 million or less.

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

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

Table S–7. Bridge From Budget Enforcement Act Baseline to Adjusted Baseline

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
BEA baseline deficit	**1,293**	**1,593**	**1,036**	**643**	**463**	**496**	**552**	**460**	**417**	**438**	**472**	**488**	**3,189**	**5,465**
Adjustments to baseline:														
Index to inflation the 2011 parameters of the AMT	....	....	33	106	106	124	142	162	183	206	230	256	512	1,550
Continue the 2001 and 2003 tax cuts for middle-income taxpayers	....	....	1	69	142	144	146	148	149	150	151	152	501	1,250
Extend estate, gift, and generation-skipping transfer taxes at 2009 parameters	....	1	2	5	24	26	29	32	35	37	39	42	86	270
Reflect incremental cost of funding existing Pell maximum grant award	....	....	12	12	12	12	12	12	12	12	12	12	58	118
Subtotal	....	1	48	192	284	306	329	354	378	405	432	461	1,159	3,189
Adjustment to reflect costs of possible emergencies[1]	....	2	6	8	8	9	10	10	10	10	10	10	42	92
Reclassify surface transportation outlays:														
Remove outlays from appropriated category	–41	–47	–54	–51	–60	–61	–62	–64	–67	–68	–70	–70	–287	–627
Add outlays to mandatory category	41	47	54	51	60	61	62	64	67	68	70	70	287	627
Subtotal	....	....	....	....	....	....	....	....	....	....	....	....	....	....
Total program adjustments	....	4	54	200	292	315	339	364	388	415	442	471	1,200	3,280
Debt service on adjustments	....	*	*	4	15	30	47	66	85	107	131	157	97	642
Total adjustments	....	4	54	204	307	345	386	429	474	522	573	628	1,297	3,923
Adjusted baseline deficit	**1,293**	**1,597**	**1,090**	**846**	**770**	**841**	**938**	**890**	**891**	**960**	**1,045**	**1,116**	**4,486**	**9,387**

*$500 million or less.

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

Table S–8. Mandatory and Receipt Proposals

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Tax Provisions:													
Tax Cuts for Families and Individuals:													
Extend earned income tax credit for larger families[1]	....	....	81	1,422	1,442	1,469	1,509	1,544	1,579	1,610	1,657	4,414	12,313
Expand child and dependent care tax credit[1]	....	283	1,043	1,045	1,042	1,039	1,035	1,036	1,033	1,028	1,021	4,452	9,605
Provide for automatic enrollment in IRAs, including employer tax credit, and double the tax credit for small employer plan startup costs[1]	....	....	638	1,043	1,100	1,240	1,448	1,704	2,015	2,381	2,809	4,021	14,378
Extend American opportunity tax credit[1]	....	....	650	10,772	10,832	11,552	11,533	11,364	12,111	12,117	12,665	33,806	93,596
Provide exclusion from income for student loan forgiveness	....	....	....	....	....	....	....	....	....	....	....	....	....
Tax qualified dividends and net long-term capital gains at a 20-percent rate for upper-income taxpayers	....	7,868	9,582	5,405	9,416	12,964	14,688	15,119	15,586	16,158	16,885	45,235	123,671
Total, tax cuts for families and individuals	....	8,151	11,994	19,687	23,832	28,264	30,213	30,767	32,324	33,294	35,037	91,928	253,563
Tax Cuts for Businesses:													
Eliminate capital gains taxation on investments in small business stock	....	....	....	....	....	....	183	566	1,055	1,587	2,026	....	5,417
Enhance and make permanent the research and experimentation tax credit	....	4,610	8,063	8,884	9,708	10,520	11,318	12,103	12,887	13,686	14,499	41,785	106,278
Provide additional tax credits for investment in qualified property used in a qualified advanced energy manufacturing project	....	284	731	1,089	1,138	578	120	–73	–115	–64	–27	3,820	3,661
Provide tax credit for energy efficient commercial building property expenditures in place of existing tax deduction	....	450	425	100	25	25	....	....	....	....	....	1,025	1,025
Total, tax cuts for businesses	....	5,344	9,219	10,073	10,871	11,123	11,621	12,596	13,827	15,209	16,498	46,630	116,381
Incentives to promote regional growth:													
Extend and modify the New Markets tax credit	41	62	116	183	234	263	272	264	243	170	63	858	1,870
Reform and extend Build America bonds[1]	1	2	2	2	4	3	3	3	3	3	3	13	28
Reform and expand the Low-Income Housing Tax Credit (LIHTC)	1	5	16	32	52	71	94	116	139	162	185	176	872
Designate Growth Zones[1]	....	279	863	860	839	815	186	–383	–374	–329	–273	3,656	2,483
Total, incentives to promote regional growth	43	348	997	1,077	1,129	1,152	555	....	11	6	–22	4,703	5,253
Continue certain expiring provisions through calendar year 2012[1]	866	9,959	10,459	734	372	158	61	95	122	169	192	21,682	22,321

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Pay for Three Years of AMT Relief:													
Reduce the value of certain tax expenditures	....	–6,008	–18,996	–26,418	–29,766	–32,696	–35,699	–38,644	–41,496	–44,388	–47,180	–113,884	–321,291
Other Revenue Changes and Loophole Closers:													
Reform treatment of financial institutions and products:													
Impose a financial crisis responsibility fee	....	....	–1,000	–3,000	–3,000	–3,000	–4,000	–4,000	–4,000	–4,000	–4,000	–10,000	–30,000
Require accrual of income on forward sale of corporate stock	–1	–6	–12	–19	–26	–33	–36	–38	–40	–42	–44	–96	–296
Require ordinary treatment of income from day-to-day dealer activities for certain dealers of equity options and commodities	–35	–144	–226	–240	–254	–270	–286	–303	–321	–341	–361	–1,134	–2,746
Modify the definition of "control" for purposes of section 249 of the Internal Revenue Code	....	–9	–15	–16	–17	–17	–18	–19	–20	–21	–22	–74	–174
Total, reform treatment of financial institutions and products	–36	–159	–1,253	–3,275	–3,297	–3,320	–4,340	–4,360	–4,381	–4,404	–4,427	–11,304	–33,216
Reinstate Superfund taxes	....	–1,374	–1,926	–2,038	–2,093	–2,144	–2,185	–2,212	–2,246	–2,272	–2,329	–9,575	–20,819
Increase Oil Spill Liability Trust Fund financing rate by one cent	....	–35	–46	–46	–46	–46	–46	–46	–47	–46	–47	–219	–451
Make unemployment insurance surtax permanent	....	–1,375	–1,413	–1,449	–1,477	–1,503	–1,526	–1,543	–1,558	–1,577	–1,594	–7,217	–15,015
Repeal LIFO method of accounting for inventories	....	....	–2,598	–5,649	–6,484	–6,457	–6,435	–6,387	–6,337	–6,293	–6,240	–21,188	–52,880
Repeal gain limitation for dividends received in reorganization exchanges	....	–47	–79	–81	–84	–86	–89	–92	–94	–97	–100	–377	–849
Reform U.S. international tax system:													
Defer deduction of interest expense related to deferred income	....	–2,986	–5,138	–5,396	–5,636	–5,861	–6,080	–3,114	–1,103	–1,149	–1,202	–25,017	–37,665
Determine the foreign tax credit on a pooling basis	....	–2,655	–4,568	–4,798	–5,011	–5,211	–5,406	–5,601	–5,810	–6,051	–6,333	–22,243	–51,444
Tax currently excess returns associated with transfers of intangibles offshore	....	–1,204	–2,038	–2,114	–2,212	–2,280	–2,290	–2,231	–2,158	–2,138	–2,166	–9,848	–20,831
Limit shifting of income through intangible property transfers	....	–29	–63	–90	–118	–148	–178	–209	–242	–276	–315	–448	–1,668

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Disallow the deduction for excess non-taxed reinsurance premiums paid to affiliates	....	–129	–223	–237	–250	–264	–277	–289	–302	–315	–328	–1,103	–2,614
Limit earnings stripping by expatriated entities	....	–212	–364	–382	–401	–421	–442	–464	–487	–512	–537	–1,780	–4,222
Modify tax rules for dual capacity taxpayers	....	–532	–918	–974	–1,031	–1,085	–1,138	–1,190	–1,242	–1,296	–1,352	–4,540	–10,758
Total, reform U.S. international tax system	....	–7,747	–13,312	–13,991	–14,659	–15,270	–15,811	–13,098	–11,344	–11,737	–12,233	–64,979	–129,202
Reform treatment of insurance companies and products:													
Modify rules that apply to sales of life insurance contracts	....	–8	–42	–82	–97	–115	–134	–154	–177	–203	–231	–344	–1,243
Modify dividends-received deduction for life insurance company separate accounts	....	–172	–465	–547	–579	–605	–607	–585	–555	–528	–503	–2,368	–5,146
Expand pro-rata interest expense disallowance for corporate-owned life insurance (COLI)	....	–21	–71	–181	–273	–433	–652	–900	–1,280	–1,714	–2,166	–979	–7,691
Total, reform treatment of insurance companies and products	....	–201	–578	–810	–949	–1,153	–1,393	–1,639	–2,012	–2,445	–2,900	–3,691	–14,080
Eliminate fossil fuel tax preferences:													
Eliminate coal preferences:													
Repeal expensing of exploration and development costs	....	–27	–45	–47	–49	–51	–50	–48	–47	–45	–38	–219	–447
Repeal percentage depletion for hard mineral fossil fuels	....	–78	–129	–129	–130	–135	–139	–145	–149	–154	–165	–601	–1,353
Repeal capital gains treatment for royalties	–6	–11	–13	–22	–31	–38	–43	–47	–51	–55	–58	–115	–369
Repeal domestic manufacturing deduction for coal and other hard mineral fossil fuels	....	–20	–35	–38	–39	–41	–44	–45	–48	–49	–51	–173	–410
Total, eliminate coal preferences	–6	–136	–222	–236	–249	–265	–276	–285	–295	–303	–312	–1,108	–2,579
Eliminate oil and gas preferences:													
Repeal enhanced oil recovery credit	....	....	....	....	....	....	....	....	....	....	....	....	....
Repeal credit for oil and gas produced from marginal wells	....	....	....	....	....	....	....	....	....	....	....	....	....
Repeal expensing of intangible drilling costs	....	–1,875	–2,512	–1,762	–1,403	–1,331	–1,124	–830	–640	–523	–447	–8,883	–12,447
Repeal deduction for tertiary injectants	....	–6	–10	–10	–10	–10	–10	–9	–9	–9	–9	–46	–92
Repeal exception to passive loss limitations for working interests in oil and natural gas properties	....	–23	–27	–24	–22	–21	–19	–18	–17	–16	–16	–117	–203

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Repeal percentage depletion for oil and natural gas wells	....	–607	–1,038	–1,079	–1,111	–1,142	–1,177	–1,211	–1,243	–1,273	–1,321	–4,977	–11,202
Repeal domestic manufacturing deduction for oil and natural gas companies	....	–902	–1,558	–1,653	–1,749	–1,842	–1,932	–2,020	–2,108	–2,200	–2,296	–7,704	–18,260
Increase geological and geophysical amortization period for independent producers to seven years	....	–59	–215	–330	–306	–230	–152	–75	–22	–9	–10	–1,140	–1,408
Total, eliminate oil and gas preferences	....	–3,472	–5,360	–4,858	–4,601	–4,576	–4,414	–4,163	–4,039	–4,030	–4,099	–22,867	–43,612
Total, eliminate fossil fuel tax preferences	–6	–3,608	–5,582	–5,094	–4,850	–4,841	–4,690	–4,448	–4,334	–4,333	–4,411	–23,975	–46,191
Tax carried (profits) interests as ordinary income	–318	–2,274	–2,123	–2,154	–1,927	–1,608	–1,322	–1,089	–908	–762	–640	–10,086	–14,807
Deny deduction for punitive damages	....	....	–23	–34	–35	–35	–36	–36	–37	–37	–39	–127	–312
Repeal lower-of-cost-or-market inventory accounting method	....	....	–188	–1,435	–2,334	–1,532	–1,358	–309	–323	–337	–352	–5,489	–8,168
Simplify the tax code	–16	–7	–35	12	23	–141	–147	281	176	107	138	–148	407
Reduce the tax gap and make reforms:													
Expand information reporting:													
Repeal and modify information reporting on payments to corporations and payments for property	....	475	618	756	929	961	1,000	1,047	1,096	1,147	1,180	3,739	9,209
Require information reporting for private separate accounts of life insurance companies	....	....	–1	–2	–3	–3	–4	–5	–6	–7	–8	–9	–39
Require a certified Taxpayer Identification Number from contractors and allow certain withholding	–21	–48	–81	–110	–115	–121	–126	–132	–138	–144	–150	–475	–1,165
Total, expand information reporting	–21	427	536	644	811	837	870	910	952	996	1,022	3,255	8,005
Improve compliance by businesses:													
Require greater electronic filing of returns	....	....	....	....	....	....	....	....	....	....	....	....	....
Authorize the Department of the Treasury to require additional information to be included in electronically filed Form 5500 Annual Reports	....	....	....	....	....	....	....	....	....	....	....	....	....
Implement standards clarifying when employee leasing companies can be held liable for their clients' Federal employment taxes	....	–4	–5	–6	–6	–6	–7	–7	–7	–8	–8	–27	–64

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Increase certainty with respect to worker classification	....	–12	–230	–1,237	–956	–819	–904	–994	–1,088	–1,186	–1,284	–3,254	–8,710
Repeal special estimated tax payment provision for certain insurance companies	....	....	....	....	....	....	....	....	....	....	....	....	....
Eliminate special rules modifying the amount of estimated tax payments by corporations	....	....	....	53,610	–4,320	–49,290	....	....	5,630	–5,630	....	....	....
Total, improve compliance by businesses	....	–16	–235	52,367	–5,282	–50,115	–911	–1,001	4,535	–6,824	–1,292	–3,281	–8,774
Strengthen tax administration	....	–13	–18	–20	–25	–28	–30	–30	–32	–33	–34	–104	–263
Expand penalties:													
Impose a penalty on failure to comply with electronic filing requirements	....	....	....	....	....	–1	–1	–1	–2	–2	–2	–1	–9
Increase penalty imposed on paid preparers who fail to comply with EITC due diligence requirements	....	–13	–27	–31	–32	–34	–35	–35	–36	–37	–38	–137	–318
Total, expand penalties	....	–13	–27	–31	–32	–35	–36	–36	–38	–39	–40	–138	–327
Modify estate and gift tax valuation discounts and make other reforms:													
Make permanent the portability of unused exemption between spouses	....	....	....	107	217	321	421	516	609	699	791	645	3,681
Require consistency in value for transfer and income tax purposes	....	–127	–171	–182	–192	–204	–216	–229	–243	–258	–273	–876	–2,095
Modify rules on valuation discounts	....	–806	–860	–1,558	–1,687	–1,823	–1,966	–2,116	–2,277	–2,444	–2,629	–6,734	–18,166
Require a minimum term for grantor retained annuity trusts (GRATs)	....	–15	–46	–93	–160	–231	–308	–389	–477	–570	–670	–545	–2,959
Limit Duration of Generation Skipping Transfer (GST) Tax Exemption	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, modify estate and gift tax valuation discounts and make other reforms	....	–948	–1,077	–1,726	–1,822	–1,937	–2,069	–2,218	–2,388	–2,573	–2,781	–7,510	–19,539
Total, reduce the tax gap and make reforms	–21	–563	–821	51,234	–6,350	–51,278	–2,176	–2,375	3,029	–8,473	–3,125	–7,778	–20,898
Total, other revenue changes and loophole closers	–397	–17,390	–29,977	15,190	–44,562	–89,414	–41,554	–37,353	–30,416	–42,706	–38,299	–166,153	–356,481
Trade Initiatives:													
Promote trade	....	167	371	514	636	755	837	910	982	1,053	1,127	2,443	7,352
Other Initiatives:													
Authorize the limited sharing of business tax return information to improve the accuracy of important economic measures	....	....	....	....	....	....	....	....	....	....	....	....	....

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Eliminate certain reviews conducted by the U.S. Treasury Inspector General for Tax Administration (TIGTA)	....	....	....	....	....	....	....	....	....	....	....	....	....
Modify indexing to prevent deflationary adjustments	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, other initiatives	....	....	....	....	....	....	....	....	....	....	....	....	....
Reauthorize Surface Transportation:													
Transportation Trust Fund:													
Outlays	....	6,726	19,053	16,230	17,980	21,965	27,117	30,412	31,731	32,207	32,077	109,071	235,498
Bipartisan financing for Transportation Trust Fund	....	–20,000	–28,000	–29,000	–31,000	–32,000	–34,000	–36,000	–38,000	–39,000	–41,000	–140,000	–328,000
Subtotal, transportation trust fund	....	–13,274	–8,947	–12,770	–13,020	–10,035	–6,883	–5,588	–6,269	–6,793	–8,923	–58,046	–92,502
Upfront investment in aviation	....	596	2,146	608	....	....	....	....	....	....	....	3,350	3,350
Upfront investment in TIGER grants	....	20	420	680	400	200	140	100	40	....	....	1,860	2,000
Total, reauthorize surface transportation	**.........**	**–12,658**	**–6,381**	**–11,482**	**–12,620**	**–9,835**	**–6,743**	**–5,488**	**–6,229**	**–6,793**	**–8,923**	**–52,976**	**–87,152**
Mandatory Initiatives and Savings:													
Agriculture:													
Change company reimbursement on crop insurance CAT premium	....	–161	–166	–176	–179	–180	–181	–183	–184	–185	–187	–862	–1,782
Eliminate cotton and peanut storage payments	....	–1	....	....	....	....	....	....	....	....	....	–1	–1
Enact Animal Plant and Health Inspection Service (APHIS) fees	....	–20	–27	–27	–28	–29	–30	–31	–32	–33	–34	–131	–291
Enact Food Safety and Inspection Service (FSIS) performance fee	....	–11	–12	–12	–12	–13	–13	–13	–13	–13	–13	–60	–125
Enact Grain Inspection, Packers, and Stockyards Administration (GIPSA) fees	....	–27	–29	–30	–31	–31	–31	–32	–32	–32	–33	–148	–308
Enact Natural Resources Conservation Service (NRCS) fee	....	–22	–22	–22	–22	–22	–22	–22	–22	–22	–22	–110	–220
Enact Forest Service payment to communities—impact on timber receipts	....	....	–48	–49	–49	–50	–52	....	....	....	....	–196	–248
Suspend SNAP time limits for able-bodied working-age adults without dependents	....	90	51	1	....	....	....	....	....	....	....	142	142
Restore SNAP beneficiary payments terminated in P.L. 111–296	....	....	....	3,239	56	....	....	....	....	....	....	3,295	3,295
Reduce commodity payments to wealthy farmers	....	....	–228	–261	–312	–315	–265	–278	–285	–284	–283	–1,116	–2,511
Impose biobased labeling fee	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, Agriculture	....	–152	–481	2,663	–577	–640	–594	–559	–568	–569	–572	813	–2,049

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Defense:													
Shift future Uniformed Services Family Health Plan enrollees into TRICARE-for-Life/ Medicare:													
Effect on Medicare Eligible Retiree Health Care Fund	....	–1	–4	–12	–24	–43	–68	–99	–137	–183	–238	–84	–809
Effect on accrual payments (non-PAYGO)	....	....	759	805	850	889	945	1,004	1,067	1,134	1,205	3,303	8,658
Subtotal, shift future Uniformed Services Family Health Plan enrollees into TRICARE-For-Life/Medicare	....	–1	755	793	826	846	877	905	930	951	967	3,219	7,849
Provide additional accrual payments to the Medicare Eligible Retiree Health Care Fund (non-PAYGO)	....	–117	....	....	....	....	....	....	....	....	....	–117	–117
Total, Defense	....	–1	755	793	826	846	877	905	930	951	967	3,219	7,849
Education:													
Pell Grant Protection Act:													
Provide mandatory appropriation to sustain recent Pell Grant increases	....	2,069	6,277	2,995	3,389	3,775	4,200	4,628	5,056	5,489	5,986	18,505	43,864
Eliminate in-school interest subsidies for graduate and professional students	....	–984	–3,200	–3,039	–3,019	–3,022	–3,041	–3,110	–3,211	–3,312	–3,343	–13,264	–29,281
Provide current borrowers incentive to convert from guaranteed loans to direct loans to simplify loan servicing	....	–2,136	–20	–16	–10	–10	–10	–11	–11	–13	–7	–2,192	–2,244
Eliminate year-round Pell Grants and simplify student aid application	–60	–535	–604	–711	–840	–995	–1,157	–1,295	–1,335	–1,372	–1,399	–3,685	–10,243
Reform and expand Perkins loan program	....	–578	–1,564	–1,155	–896	–705	–547	–504	–494	–473	–448	–4,898	–7,364
Overhaul TEACH Grants and replace with Presidential Teaching Fellows	....	2	102	150	156	150	138	1	–54	–67	–70	560	508
Establish College Completion Incentive Grants	....	2	42	220	288	300	291	93	15	....	....	852	1,251
Accelerate the recall of the Perkins Loan revolving fund	....	–384	–618	–727	–764	–113	–197	–25	94	202	342	–2,606	–2,190
Total, Education	–60	–2,544	415	–2,283	–1,696	–620	–323	–223	60	454	1,061	–6,728	–5,699
Energy:													
Repeal ultra-deepwater oil and gas research and development program	....	–20	–40	–50	–30	–10	....	....	....	....	....	–150	–150
Provide HomeStar rebates for energy efficient home retrofits	300	1,800	2,100	1,020	600	180	....	....	....	....	....	5,700	5,700
Total, Energy	300	1,780	2,060	970	570	170	....	....	....	....	....	5,550	5,550

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Health and Human Services:													
Provide physicians relief from sustainable growth rate formula (SGR) and offset costs:													
Provide SGR relief through 2013	....	18,602	28,593	7,210	....	....	....	....	....	....	....	54,405	54,405
Offset cost of providing SGR relief through 2013 with specific health savings[3]	....	–1,571	–2,175	–2,676	–4,759	–6,056	–6,846	–7,037	–7,275	–9,674	–14,164	–17,237	–62,233
Provide SGR relief from 2014 onward	....	....	....	23,207	32,072	34,692	36,730	39,856	44,760	49,909	54,222	89,971	315,448
Offset cost of providing SGR relief from 2014 onward	....	....	....	–23,207	–32,072	–34,692	–36,730	–39,856	–44,760	–49,909	–54,222	–89,971	–315,448
Shift future Uniformed Services Family Health Plan enrollees into TRICARE-for-LIFE/ Medicare:													
Effect on Medicare	....	....	....	....	20	30	50	70	90	120	150	50	530
Reform child welfare assistance to improve permanency and safety	....	220	245	249	250	250	250	250	250	250	250	1,214	2,464
Strengthen and expand child care assistance	....	381	632	730	749	750	750	750	750	750	750	3,242	6,992
Extend TANF supplemental grants	22	342	64	....	....	....	....	....	....	....	....	406	406
Modernize child support program	....	244	310	251	269	303	356	362	252	226	226	1,377	2,799
Extend the child welfare study	....	2	4	....	....	....	....	....	....	....	....	6	6
Extend Transitional Medical Assistance (TMA)	....	240	415	10	....	....	....	....	....	....	....	665	665
Extend Qualified Individuals (QI)	....	495	....	....	....	....	....	....	....	....	....	495	495
Total, Health and Human Services	22	18,955	28,088	5,774	–3,471	–4,723	–5,440	–5,605	–5,933	–8,328	–12,788	44,623	6,529
Housing and Urban Development:													
Provide funding for the Affordable Housing Trust Fund	....	10	140	290	230	190	100	20	20	....	....	860	1,000
Interior:													
Impose fee on nonproducing oil and gas leases	....	–25	–39	–59	–75	–90	–98	–109	–116	–125	–138	–288	–874
Reserve funds for insular affairs assistance	....	25	24	24	24	22	16	15	14	12	11	119	187
Return to net receipts sharing for energy minerals	....	....	–44	–45	–47	–47	–48	–50	–53	–52	–55	–183	–441
Reform coal and hardrock Abandoned Mine Lands (AML) programs[2]	....	–138	–386	–330	–204	–129	–81	–128	–145	–100	–89	–1,187	–1,730
Impose hardrock mining royalty	....	....	–7	–5	–6	–6	–7	–10	–15	–19	–25	–24	–100
Repeal Energy Policy Act fee prohibition and mandatory permit funds	....	....	–20	–19	–18	....	....	....	....	....	....	–57	–57
Increase Duck Stamp fees[2]	....	–4	....	....	....	....	....	....	....	....	....	–4	–4

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Reathorize Federal Land Sales/Acquisition Law (FLTFA)	....	–3	–5	–8	–10	–4	....	....	....	....	....	–30	–30
Repeal Geothermal Payments to Counties under 2005 Energy Policy Act	....	–7	–7	–7	–7	–7	–7	–8	–8	–8	–8	–35	–74
Repeal "deep gas" royalty incentives	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, Interior	....	–152	–484	–449	–343	–261	–225	–290	–323	–292	–304	–1,689	–3,123
Justice:													
Provide incentives for State medical malpractice reform	....	100	50	50	50	....	....	....	....	....	....	250	250
Labor:													
Give States and employers short-term relief from interest and tax increases and strengthen unemployment insurance system solvency[2]	1,220	3,544	4,051	–7,477	–12,863	–10,544	–11,813	–8,555	34	263	–167	–23,289	–43,527
Reform Federal Employees' Compensation Act (FECA)	....	–10	–13	–5	–7	–17	–26	–36	–46	–56	–67	–52	–283
Reauthorize Trade Adjustment Assistance	124	415	713	893	825	746	708	696	710	736	778	3,592	7,220
Protect pension benefits by empowering the PBGC Board to improve solvency	....	....	....	–1,121	–2,523	–2,286	–2,141	–2,046	–1,987	–1,966	–2,001	–5,930	–16,071
Expand Foreign Labor Certification Fees	....	–44	....	....	....	....	....	....	....	....	....	–44	–44
Expand work-sharing program[2]	....	36	17	–5	61	90	89	88	88	88	89	199	641
Enhance unemployment insurance program integrity[2,4]	....	....	–142	–261	–222	438	–316	195	219	–137	–330	–187	–556
Total, Labor	1,344	3,941	4,626	–7,976	–14,729	–11,573	–13,499	–9,658	–982	–1,072	–1,698	–25,711	–52,620
Treasury:													
Levy payments to Medicare providers with delinquent tax debt[2]	–17	–64	–68	–71	–74	–76	–76	–78	–80	–80	–81	–353	–748
Offset Federal tax refunds to collect State income taxes from debtors who currently reside in other States	....	....	....	....	....	....	....	....	....	....	....	....	....
Levy payments to Federal contractors with delinquent tax debt[2]	–5	–59	–61	–64	–67	–69	–73	–76	–80	–83	–87	–320	–719
Restructure assistance to New York City[2]	....	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Total, Treasury	–22	77	71	65	59	55	51	46	40	37	32	327	533
Veterans Affairs:													
Extend veterans income verification	....	26	–7	–13	–20	–27	....	....	....	....	....	–41	–41
Extend VBA authority for use of HHS data	....	4	2	1	....	–1	–2	–3	–4	–5	–5	6	–13
Reform criteria for special monthly pension	....	–6	–10	–13	–16	–20	–23	–27	–30	–34	–37	–65	–216
Provide authority for vendee loan pooling	....	–86	–93	1	....	....	....	....	....	....	....	–178	–178
Expand eligibility for Vocational Rehabilitation and Employment on-the-job training program[4]	....	....	....	....	....	....	....	....	....	....	....	....	....

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Allow occupancy by a dependent child to satisfy VA home loans occupancy requirement	....	....	1	1	1	1	1	1	1	1	1	4	9
Total, Veterans Affairs	....	–62	–107	–23	–35	–47	–24	–29	–33	–38	–41	–274	–439
Corps of Engineers:													
Reform inland waterways funding[2]	....	....	–196	–163	–135	–72	–72	–71	–69	–70	–69	–566	–917
Environmental Protection Agency:													
Enact pesticide registration and premanufacture notice fees	....	–49	–81	–88	–95	–97	–101	–104	–107	–110	–114	–410	–946
Establish fees for use of hazardous waste electronic manifest system	....	....	....	–6	–4	–3	–3	–3	–3	–3	–3	–13	–28
Total, Environmental Protection Agency	....	–49	–81	–94	–99	–100	–104	–107	–110	–113	–117	–423	–974
Social Security Administration:													
Require workers' compensation information reporting[4]	....	5	5	....	....	....	....	....	....	....	....	10	10
Temporarily extend SSI benefits for refugees	....	86	92	....	....	....	....	....	....	....	....	178	178
Require States and localities to provide pension information[4]	....	13	20	18	–202	–439	–574	–609	–555	–522	–479	–590	–3,329
Revert to quarterly wage reporting[4]	....	20	30	100	....	....	....	....	....	....	....	150	150
Enact DI Work Incentives Simplification Pilot (non-PAYGO)	....	5	10	15	22	25	13	....	....	....	....	77	90
Total, Social Security Administration	....	129	157	133	–180	–414	–561	–609	–555	–522	–479	–175	–2,901
Other Independent Agencies:													
Provide financial relief to the U.S. Postal Service	2,271	279	249	321	299	280	229	229	229	229	229	1,428	2,573
Federal Communications Commission (FCC):													
Enact spectrum license user fee	–50	–200	–300	–425	–550	–550	–550	–550	–550	–550	–550	–2,025	–4,775
Provide no new funding for the Telecommunications Development Fund	–3	–7	–7	–7	–7	–7	–7	–7	–7	–7	–7	–35	–70
Subtotal, Federal Communications Commission (FCC)	–53	–207	–307	–432	–557	–557	–557	–557	–557	–557	–557	–2,060	–4,845
Total, other independent agencies	2,218	72	–58	–111	–258	–277	–328	–328	–328	–328	–328	–632	–2,272
Multi-Agency:													
Enact Wireless Innovation and Infrastructure Initiative (WI3):													
Enact incentive auction authority and other spectrum reforms	....	–1,900	–6,020	–8,240	–6,430	–2,460	–400	–1,300	–1,050	....	....	–25,050	–27,800
Build a Public Safety Broadband Network	....	1,400	1,400	1,400	1,400	1,400	....	....	....	....	....	7,000	7,000
Reserve the D Block for public safety use	....	3,150	....	....	....	....	....	....	....	....	....	3,150	3,150

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Extend wireless broadband through the National Wireless Initiative and support Universal Service Fund reform	....	2,500	1,250	1,250	....	....	....	....	....	....	....	5,000	5,000
Create a Wireless Innovation Fund	....	409	587	681	627	539	123	34	....	....	....	2,843	3,000
Total, enact Wireless Innovation and Infrastructure Initiative (WI3)	....	5,559	–2,783	–4,909	–4,403	–521	–277	–1,266	–1,050	....	....	–7,057	–9,650
Implement program integrity allocation adjustments[2]	....	–1,497	–4,187	–6,684	–9,465	–12,620	–14,990	–16,632	–18,305	–19,647	–20,976	–34,453	–125,003
Provide $250 Economic Recovery Payments[2]	14,616	265	....	....	....	....	....	....	....	....	....	265	265
Hold harmless the Federal poverty level	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, multi-agency	14,616	4,327	–6,970	–11,593	–13,868	–13,141	–15,267	–17,898	–19,355	–19,647	–20,976	–41,245	–134,388
Total, mandatory and receipt proposals, including surface transportation	**18,930**	**14,227**	**5,671**	**–2,579**	**–83,764**	**–121,100**	**–76,118**	**–71,523**	**–58,081**	**–73,693**	**–76,882**	**–187,545**	**–543,842**

Note: For receipt effects, positive figures indicate lower receipts. For outlay effects, positive figures indicate higher outlays. For net costs, positive figures indicate higher deficits.

[1]The estimates for this proposal include effects on outlays. The outlay effects included in the totals above are listed below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Continue certain expiring provisions through calendar year 2012	32	502	789	437	384	121	....	....	....	....	....	2,233	2,233
Expand earned income tax credit	....	....	69	1,372	1,384	1,404	1,436	1,463	1,490	1,512	1,551	4,229	11,681
Expand child and dependent care tax credit	....	....	337	347	354	363	372	386	398	410	420	1,401	3,387
Provide for automatic enrollment in IRAs and double the tax credit for small employer plan startup costs	....	....	38	66	71	79	90	105	122	142	167	254	880
Extend American opportunity tax credit	....	....	16	4,465	4,425	4,655	4,608	4,531	4,791	4,775	5,038	13,561	37,304
Reform and extend Build America bonds	105	599	1,580	2,793	4,048	5,314	6,575	7,830	9,080	10,324	11,561	14,334	59,704
Designate Growth Zones	....	14	34	43	43	40	10	–20	–20	–17	–14	174	113
Total outlay effects of receipt proposals	137	1,115	2,863	9,523	10,709	11,976	13,091	14,295	15,861	17,146	18,723	36,186	115,302

[2]The estimates for this proposal include effects on receipts. The receipt effects included in the totals above are listed below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Reform inland waterways funding	....	....	–196	–163	–135	–72	–72	–71	–69	–70	–69	–566	–917
Reform coal and hardrock Abandoned Mine Lands (AML) programs	....	....	–200	–200	–200	–200	–200	–200	–200	–200	–200	–800	–1,800
Increase Duck Stamp fees	....	–14	–14	–14	–14	–14	–14	–14	–14	–14	–14	–70	–140

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Give States and employers short-term relief from interest and tax increases and strengthen unemployment insurance system solvency	....	1,714	3,541	–7,477	–12,863	–10,544	–11,814	–8,555	34	263	–167	–25,629	–45,868
Expand work-sharing program	....	....	–14	–20	51	82	82	81	81	81	81	99	505
Enhance unemployment insurance integrity	....	....	–54	–108	–70	588	–162	355	388	42	–144	356	835
Levy payments to Medicare providers with delinquent tax debt	–17	–64	–68	–71	–74	–76	–76	–78	–80	–80	–81	–353	–748
Levy payments to Federal contractors with delinquent tax debt	–5	–59	–61	–64	–67	–69	–73	–76	–80	–83	–87	–320	–719
Restructure assistance to New York City	....	200	200	200	200	200	200	200	200	200	200	1,000	2,000
Implement program integrity allocation adjustments	....	–276	–804	–1,970	–3,721	–5,646	–7,227	–8,184	–8,773	–9,274	–9,778	–12,417	–55,653
Provide $250 Economic Recovery Payments	216	112	....	....	....	....	....	....	....	....	....	112	112
Total receipt effects of mandatory proposals	194	1,613	2,330	–9,887	–16,893	–15,751	–19,356	–16,542	–8,513	–9,135	–10,259	–38,588	–102,393

[3] The health savings to offset the cost of providing physicians three years of relief from scheduled payment cuts under the sustainable growth rate formula (SGR) are listed below:

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012–2016	2012–2021
Expand CMS program integrity authority:													
Reduce Medicaid provider tax threshold beginning in 2015	....	....	....	....	–1,460	–2,050	–2,690	–2,820	–2,970	–3,110	–3,270	–3,510	–18,370
Strengthen Medicaid third-party liability	....	–65	–95	–155	–165	–170	–175	–190	–195	–200	–210	–650	–1,620
Track high prescribers and utilizers of prescription drugs in Medicaid	....	–80	–170	–310	–340	–370	–390	–410	–440	–460	–480	–1,270	–3,450
Require manufacturers that improperly report items for Medicaid drug coverage to fully repay States	....	–10	–10	–10	–10	–10	–15	–15	–15	–15	–15	–50	–125
Enforce Medicaid drug rebate agreements	....	....	....	....	....	....	....	....	....	....	....	....	....
Increase penalties on drug manufacturers for fraudulent non-compliance with Medicaid drug rebate agreements	....	....	....	....	....	....	....	....	....	....	....	....	....
Require drugs to be properly listed with the FDA to receive Medicaid coverage	....	....	....	....	....	....	....	....	....	....	....	....	....
Prohibit Federal funds from being used as Medicaid/CHIP State share unless specifically authorized by law	....	....	....	....	....	....	....	....	....	....	....	....	....
Recover erroneous payments made to insurers participating in Medicare Advantage	....	–490	–570	–600	–640	–650	–680	–680	–660	–610	–580	–2,950	–6,160
Increase scrutiny of providers using higher-risk banking arrangements to receive Medicare payments	....	....	....	....	....	....	....	....	....	....	....	....	....

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Allow civil monetary penalties for providers who do not update enrollment information	....	....	....	–10	–10	–10	–10	–10	–10	–10	–10	–30	–80
Study the feasibility of using universal product numbers (UPNs) to improve payment accuracy in Medicare	....	....	....	....	....	....	....	....	....	....	....	....	....
Permit exclusion of individuals affiliated with entities sanctioned for fraudulent or other prohibited actions from federal health care programs	....	....	....	....	....	....	–10	–10	–10	–10	–10	....	–50
Create a system to validate physicians' and practitioners' orders for certain high-risk products and services	....	....	....	–20	–110	–200	–250	–260	–280	–310	–330	–330	–1,760
Require prepayment review for all power wheelchairs	....	–10	–20	–20	–20	–20	–30	–30	–30	–30	–30	–90	–240
Use a portion of Recovery Audit Contractor recoveries to implement actions that prevent improper payments and fraud	....	....	....	....	–20	–30	–30	–30	–40	–40	–40	–80	–230
Provide flexibility to the Secretary in implementing predictive analytics technologies for claims payment to maximize cost effectiveness	....	....	–20	–20	–20	–30	–10	....	....	....	....	–100	–100
Limit the discharge of debt in bankruptcy proceedings in cases of fraudulent activity	....	....	....	–10	–10	–20	–20	–20	–20	–20	–30	–40	–150
Strengthen penalties for illegal distribution of Medicare, Medicaid, or CHIP beneficiary identification or billing privileges	....	....	....	....	....	....	....	....	....	....	....	....	....
Total, expand CMS program integrity authority	....	–655	–885	–1,155	–2,805	–3,560	–4,310	–4,475	–4,670	–4,815	–5,005	–9,060	–32,335
Other Medicaid Proposals:													
Limit Medicaid reimbursement of durable medical equipment (DME) based on Medicare rates	....	–210	–420	–470	–550	–700	–730	–770	–810	–850	–890	–2,350	–6,400
Rebase Medicaid Disproportionate Share Hospital (DSH) allotments in 2021	....	....	....	....	....	....	....	....	....	....	–4,170	....	–4,170
Total, other Medicaid proposals	....	–210	–420	–470	–550	–700	–730	–770	–810	–850	–5,060	–2,350	–10,570
Other Medicare Proposals:													
Require the Secretary to determine the geographic scope of Quality Improvement Organization (QIO) contracts to maximize efficiency	....	–20	–50	–110	–190	–230	–260	–290	–320	–360	–390	–600	–2,220
Eliminate the conflict of interest between beneficiary protection and quality improvement activities for QIOs	....	–10	–20	–30	–60	–80	–80	–90	–100	–120	–120	–200	–710

Table S–8. Mandatory and Receipt Proposals—Continued

(Deficit increases (+) or decreases (–) in millions of dollars)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021
Expand pool of contractors eligible for QIO work	....	....	....	–10	–20	–20	–20	–30	–20	–20	–30	–50	–170
Extend the QIO contract length from three years up to five years	....	....	....	....	–10	–20	–20	–20	–30	–30	–30	–30	–160
Align QIO contract terminations with Federal Acquisition Regulations	....	....	....	....	....	....	....	....	....	....	....	....	....
Dedicate EHR penalties to improving Medicare program financing	....	....	....	....	....	....	....	....	....	–1,620	–1,610	....	–3,230
Total, other Medicare proposals	....	–30	–70	–150	–280	–350	–380	–430	–470	–2,150	–2,180	–880	–6,490
Other Pharmaceutical Proposals:													
Modify length of exclusivity to facilitate faster development of generic biologics	....	....	....	....	–80	–250	–300	–340	–420	–460	–490	–330	–2,340
Prohibit brand and generic drug companies from delaying the availability of new generic drugs	....	–540	–590	–680	–760	–850	–910	–960	–1,070	–1,180	–1,250	–3,420	–8,790
Streamline pharmacy benefit contracting in the FEHB program	....	–69	–138	–147	–160	–171	–184	–200	–216	–231	–251	–685	–1,767
Total, other pharmaceutical proposals	....	–609	–728	–827	–1,000	–1,271	–1,394	–1,500	–1,706	–1,871	–1,991	–4,435	–12,897
Interactions	....	–67	–72	–74	–124	–175	–32	138	381	12	72	–512	59
Total savings from CMS program integrity, and other Medicare, Medicaid, and pharmaceutical proposals	**.........**	**–1,571**	**–2,175**	**–2,676**	**–4,759**	**–6,056**	**–6,846**	**–7,037**	**–7,275**	**–9,674**	**–14,164**	**–17,237**	**–62,233**
Cost of providing SGR relief through 2013	....	18,602	28,593	7,210	....	....	....	....	....	....	....	54,405	54,405
Additional savings after paying for SGR relief through 2013	....	17,031	26,418	4,534	–4,759	–6,056	–6,846	–7,037	–7,275	–9,674	–14,164	37,168	–7,828

[4] This proposal has both PAYGO and non-PAYGO effects.

[5] This proposal has outlays of less than $500,000 per year. The total cost is $1 million from 2012–2016 and $3 million from 2012–2021.

S–9. Bridge Between Total Mandatory and Receipt Proposals and PAYGO Scorekeeping

(In billions of dollars)

	2011–2016	2011–2021
Grand total, mandatory and receipt proposals from Table S–8	**–169**	**–525**
Adjustments for PAYGO scorekeeping:		
Remove net savings not counted for PAYGO purposes:		
Transportation Trust Fund	58	93
Program integrity savings generated by increased discretionary funding, and other non-PAYGO effects	32	123
Total, net savings not counted for PAYGO purposes	90	215
Adjust for physician payment relief exempt from statutory PAYGO through 2014	–82	–82
Devote savings from reducing the value of certain tax expenditures to pay for three years of AMT relief	114	321
Total, adjustments for PAYGO scorekeeping	122	454
Total savings from mandatory and receipt proposals under PAYGO scorekeeping	**–46**	**–71**
Memorandum, PAYGO costs included in adjusted baseline:		
Extend AMT relief through 2014 (offset with savings from reducing the value of certain tax expenditures)	316	316
Extend AMT relief for 2015 and beyond	196	1,234
Extend estate and gift taxes beyond 2011 at 2009 parameters	88	271

Table S–10. Funding Levels for Appropriated ("Discretionary") Programs by Category

(Budget authority in billions of dollars)

	2010 Actual	2011 Request	2012 Request	Outyears 2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012-2016	2012-2021
Discretionary Policy by Category:														
Security Agencies	682.8	714.0	719.4	741.3	761.4	778.2	795.6	811.3	827.6	844.3	861.1	878.6	3,795.9	8,018.9
Non-Security Agencies	401.6	401.2	396.8	396.7	396.6	396.7	406.0	414.8	426.6	437.5	453.8	456.6	1,992.7	4,182.1
Total, Base Discretionary Funding	**1,084.4**	**1,115.2**	**1,116.1**	**1,138.0**	**1,158.0**	**1,174.9**	**1,201.6**	**1,226.1**	**1,254.3**	**1,281.8**	**1,314.9**	**1,335.2**	**5,788.6**	**12,200.9**
Other Discretionary Funding (not included above):														
Overseas Contingency Operations [1]	167.3	164.7	126.5	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	326.5	576.5
Other Supplemental/Emergency Funding	5.9	....	–*	....	....	....	....	....	....	....	....	....	–*	–*
Grand Total, Discretionary Budget Authority	**1,257.6**	**1,279.9**	**1,242.7**	**1,188.0**	**1,208.0**	**1,224.9**	**1,251.6**	**1,276.1**	**1,304.3**	**1,331.8**	**1,364.9**	**1,385.2**	**6,115.1**	**12,777.5**
Memorandum, Budget Authority Adjusted for Inflation and Population: [2]														
Security	898.2	902.1	845.9	768.9	766.0	758.8	752.0	742.9	734.5	726.1	717.7	709.8	3,891.6	7,522.6
Non-Security	421.2	411.9	396.8	385.4	374.3	363.5	361.1	357.8	357.1	355.2	357.4	349.0	1,881.1	3,657.6
Grand Total	1,319.4	1,314.0	1,242.7	1,154.4	1,140.3	1,122.3	1,113.1	1,100.7	1,091.6	1,081.3	1,075.1	1,058.7	5,772.7	11,180.2

* $50 million or less.

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

[2] Totals include Overseas Contingency Operations and Other Supplemental/Emergency Funding.

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

(Budget authority in billions of dollars)

	2010 Actual	2011 Request	2012 Request	Outyears 2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012-2016	2012-2021
Base Discretionary Funding by Agency:														
Security Agencies:														
Defense [1]	530.1	549.1	553.0	570.7	586.4	598.2	610.6	621.6	632.8	644.1	655.7	667.5	2,918.9	6,140.6
Energy - National Nuclear Security Administration [1]	9.9	11.2	11.7	12.0	12.5	13.0	13.3	13.5	13.8	14.1	14.3	14.7	62.5	132.9
Homeland Security [2]	39.8	43.6	43.2	43.6	44.1	45.5	46.9	48.4	49.9	51.5	53.2	54.9	223.2	481.1
Veterans Affairs [3]	53.1	57.0	58.8	60.7	62.6	64.6	66.7	68.8	70.9	73.3	75.6	78.0	313.4	680.0
State and Other International Programs [4]	49.8	53.1	52.7	54.3	55.8	57.0	58.1	59.1	60.2	61.3	62.3	63.5	277.9	584.3
Subtotal, Security Agencies	**682.8**	**714.0**	**719.4**	**741.3**	**761.4**	**778.2**	**795.6**	**811.3**	**827.6**	**844.3**	**861.1**	**878.6**	**3,795.9**	**8,018.9**
Non-Security Agencies:														
Agriculture [4]	25.1	23.8	22.0	22.9	22.9	23.0	23.5	24.1	24.7	25.3	25.9	26.6	114.4	241.0
Commerce	13.9	9.0	8.8	8.7	8.7	8.9	9.3	9.7	10.7	11.9	18.1	10.3	44.3	105.0
Census Bureau	*7.2*	*1.3*	*1.0*	*1.2*	*1.2*	*1.4*	*1.6*	*1.8*	*2.6*	*3.6*	*9.7*	*1.6*	*6.1*	*25.4*
Education	64.3	72.9	77.4	75.4	75.2	75.5	76.8	78.1	79.5	80.9	82.4	83.9	380.2	784.9
Energy (excluding National Nuclear Security Administration)	16.6	17.1	17.8	18.1	18.0	18.1	18.5	19.0	19.5	19.9	20.4	20.9	90.6	190.3
Health and Human Services [5]	84.4	83.4	82.2	79.4	79.1	79.6	81.4	83.3	85.2	87.3	89.3	91.7	401.8	838.6
Housing and Urban Development	42.8	41.6	41.7	41.1	41.4	41.2	41.9	42.4	43.4	44.5	45.7	46.9	207.4	430.3
Interior	12.1	12.1	12.1	11.7	11.6	11.7	12.0	12.3	12.6	12.9	13.2	13.6	59.1	123.7
Justice	27.6	24.1	20.9	27.3	27.2	27.4	28.0	28.7	29.4	30.1	30.9	31.7	130.8	281.6
Labor	13.5	14.0	12.8	12.5	12.4	12.5	12.7	13.0	13.2	13.5	13.8	14.1	62.9	130.5
State and Other International Programs [4]	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6	1.2
Transportation	14.7	14.0	13.4	13.6	13.6	13.6	14.0	14.3	14.6	15.0	15.4	15.8	68.2	143.3
Treasury	13.4	13.9	14.0	15.0	15.6	16.2	17.1	17.5	18.0	18.4	18.9	19.4	78.0	170.1
Corps of Engineers	5.5	4.9	4.6	4.3	4.3	4.3	4.4	4.5	4.6	4.7	4.8	5.0	21.8	45.4
Environmental Protection Agency	10.3	10.0	9.0	8.7	8.7	8.7	8.9	9.1	9.4	9.6	9.8	10.1	44.0	92.1
General Services Administration	0.4	0.7	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.7	0.7	0.7	3.0	6.3
National Aeronautics and Space Administration	18.7	18.9	18.7	18.0	18.0	18.1	18.5	19.0	19.4	19.9	20.4	20.9	91.4	191.0
National Science Foundation	6.9	7.4	7.8	7.5	7.5	7.5	7.7	7.9	8.1	8.3	8.5	8.7	37.9	79.2
Small Business Administration	0.8	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	1.0	1.0	1.0	4.5	9.3
Social Security Administration [5]	9.3	10.1	10.2	10.0	10.2	10.4	10.7	11.0	11.3	11.5	11.9	12.2	51.5	109.3
Corporation for National and Community Service	1.2	1.4	1.3	1.2	1.2	1.2	1.2	1.3	1.3	1.3	1.4	1.4	6.1	12.8
Other Agencies	19.9	20.7	20.3	19.6	19.5	17.0	17.8	18.2	20.1	20.7	21.2	21.7	94.2	196.1
Subtotal, Non-Security Discretionary Budget Authority	**401.6**	**401.2**	**396.8**	**396.7**	**396.6**	**396.7**	**406.0**	**414.8**	**426.6**	**437.5**	**453.8**	**456.6**	**1,992.7**	**4,182.1**
Other Discretionary Funding (not included above):														

Table S–11. Funding Levels for Appropriated ("Discretionary") Programs by Agency—Continued

(Budget authority in billions of dollars)

	2010 Actual	2011 Request	2012 Request	Outyears 2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012-2016	2012-2021
Overseas Contingency Operations[6]	**167.3**	**164.7**	**126.5**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**50.0**	**326.5**	**576.5**
Defense	162.3	159.1	117.6	....	....	....	....	....	....	....	....	....	117.6	117.6
Homeland Security	0.2	0.3	0.3	....	....	....	....	....	....	....	....	....	0.3	0.3
Justice	0.1	....	....	....	....	....	....	....	....	....	....	....	....	....
State and Other International Programs	4.7	5.4	8.7	....	....	....	....	....	....	....	....	....	8.7	8.7
Overseas Contingency Operations Outyears	....	....	....	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	200.0	450.0
Other Supplemental or Emergency Funding	**8.3**	....	**–***	....	....	....	....	....	....	....	....	....	**–***	**–***
Agriculture	0.6	....	....	....	....	....	....	....	....	....	....	....	....	....
Defense	–1.6	....	....	....	....	....	....	....	....	....	....	....	....	....
Education	–0.1	....	....	....	....	....	....	....	....	....	....	....	....	....
Health and Human Services	0.2	....	....	....	....	....	....	....	....	....	....	....	....	....
Homeland Security	5.5	....	....	....	....	....	....	....	....	....	....	....	....	....
Justice	0.2	....	....	....	....	....	....	....	....	....	....	....	....	....
State and Other International Programs	2.3	....	....	....	....	....	....	....	....	....	....	....	....	....
Corps of Engineers	0.2	....	–*	....	....	....	....	....	....	....	....	....	–*	–*
Small Business Administration	1.0	....	....	....	....	....	....	....	....	....	....	....	....	....
Other Agencies	0.1	....	....	....	....	....	....	....	....	....	....	....	....	....
American Recovery and Reinvestment Act of 2009 (P.L. 111–5)	**–2.4**	....	....	....	....	....	....	....	....	....	....	....	....	....
Commerce	–0.5	....	....	....	....	....	....	....	....	....	....	....	....	....
Defense	–0.3	....	....	....	....	....	....	....	....	....	....	....	....	....
Energy	–1.5	....	....	....	....	....	....	....	....	....	....	....	....	....
Other Agencies	–0.1	....	....	....	....	....	....	....	....	....	....	....	....	....
Grand Total, Discretionary Budget Authority	**1,257.6**	**1,279.9**	**1,242.7**	**1,188.0**	**1,208.0**	**1,224.9**	**1,251.6**	**1,276.1**	**1,304.3**	**1,331.8**	**1,364.9**	**1,385.2**	**6,115.1**	**12,777.5**
Memorandum: 2012 Budget 5-Year Defense Request versus 2011 Future Years Defense Plan (FYDP)[7]														
2011 Defense FYDP	n/a	549.1	566.4	581.8	597.8	616.0	635.1	n/a	n/a	n/a	n/a	n/a	2,997.0	n/a
Savings resulting from 2012 Budget policy	n/a	....	–13.3	–11.1	–11.4	–17.9	–24.5	n/a	n/a	n/a	n/a	n/a	–78.2	n/a

*$50 million or less.

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

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

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

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

[5] 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. Additionally, the Health and Human Services total includes $3.0 billion in 2010 for transfer of the BioShield program in Homeland Security.

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

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

Table S–12. Market Valuation and Balance Sheet of Fannie Mae and Freddie Mac

(In billions of dollars)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	Totals 2012–2016	Totals 2012–2021	Totals 2009–2021
Transactions between Treasury and Fannie Mae/ Freddie Mac:																
Senior Preferred Liquidity Payments to Fannie Mae/Freddie Mac	96	53	48	29	11	....	....	....	....	....	....	....	....	40	40	236
Senior Preferred Dividend Payments from Fannie Mae/Freddie Mac	–4	–12	–17	–21	–23	–17	–14	–11	–10	–9	–8	–8	–8	–86	–129	–163
Net Payments	100	40	30	8	–12	–17	–14	–11	–10	–9	–8	–8	–8	–46	–89	73
Market Valuation of Fannie Mae and Freddie Mac: [1]																
Market Value of Net Liability	–18															
Value of Private Equity Shares	–3															
Net Position of Fannie Mae and Freddie Mac:																
Assets:																
U.S. Treasury Securities	12	68														
GSE Portfolio Securities and Loans	1,525	1,007														
Consolidated Trust Securities [2]	....	4,241														
Cash	73	105														
Other	146	96														
Liabilities:																
GSE Debt Outstanding	1,607	1,539														
Consolidated Trust Debt [2]	....	3,934														
Other Financial Liabilities	155	48														
Equity:																
Treasury Senior Preferred Stock [3]	98	150														
Private Equity	–103	–153														
Net Position	–5	–3														

[1] Market valuation not available for 2010 because of NYSE delisting.
[2] New FASB accounting standards required consolidation of Variable Interest Entity securitization trusts on January 1, 2010.
[3] Face value of Treasury senior preferred stock equal to original liquidation preference of $2 billion plus Treasury investments through September 30.

Table S–13. Economic Assumptions

(Calendar years)

	2009 Actual	Projections											
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Gross Domestic Product (GDP):													
Nominal level, billions of dollars	14,119	14,651	15,240	16,032	17,006	18,043	19,052	20,037	20,986	21,910	22,866	23,860	24,896
Nominal GDP percent change, year/year	–1.7	3.8	4.0	5.2	6.1	6.1	5.6	5.2	4.7	4.4	4.4	4.3	4.3
Real GDP, percent change, year/year	–2.6	2.7	2.7	3.6	4.4	4.3	3.8	3.3	2.9	2.6	2.5	2.5	2.5
Real GDP, percent change, Q4/Q4	0.2	2.5	3.1	4.0	4.5	4.2	3.6	3.2	2.7	2.5	2.5	2.5	2.5
GDP chained price index, percent change, year/year	0.9	1.0	1.3	1.5	1.6	1.7	1.7	1.8	1.8	1.8	1.8	1.8	1.8
Consumer Price Index, percent change, year/year [1]	–0.3	1.6	1.3	1.8	1.9	2.0	2.0	2.1	2.1	2.1	2.1	2.1	2.1
Unemployment rate, civilian, percent [2]	9.3	9.6	9.3	8.6	7.5	6.6	5.9	5.5	5.3	5.3	5.3	5.3	5.3
Interest rates, percent:													
91-day Treasury bills [3]	0.2	0.1	0.2	1.0	2.6	3.7	4.0	4.1	4.1	4.1	4.1	4.1	4.1
10-year Treasury notes	3.3	3.2	3.0	3.6	4.2	4.6	5.0	5.2	5.3	5.3	5.3	5.3	5.3

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

[1] Seasonally adjusted CPI for all urban consumers.

[2] Annual average.

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

Table S–14. Federal Government Financing and Debt

(In billions of dollars)

	Actual	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Financing:												
Unified budget deficit	1,293	1,645	1,101	768	645	607	649	627	619	681	735	774
Other transactions affecting borrowing from the public:												
Changes in financial assets and liabilities: [1]												
Change in Treasury operating cash balance [2]	35	*	–235	....	....	....	....	....	....	....	....	....
Net disbursements of credit financing accounts:												
Direct loan accounts	179	168	183	148	141	139	116	107	106	103	101	106
Guaranteed loan accounts	2	10	–4	–2	3	6	6	3	–1	–5	–6	–15
Troubled Asset Relief Program (TARP) equity purchase accounts	–29	16	–19	–9	–9	–11	–6	–5	–4	–7	–9	*
Net purchases of non-Federal securities by the National Railroad Retirement Investment Trust (NRRIT)	1	–1	–1	–1	–1	–1	–2	–1	–1	–1	–1	–1
Net change in other financial assets and liabilities [3]	–7	....	....	....	....	....	....	....	....	....	....	....
Subtotal, changes in financial assets and liabilities	181	193	–76	136	134	133	115	105	99	90	85	90
Seigniorage on coins	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*	–*
Total, other transactions affecting borrowing from the public	181	192	–77	135	134	132	114	104	99	90	84	89
Total, requirement to borrow from the public (equals change in debt held by the public)	1,474	1,838	1,025	903	778	739	763	731	717	771	820	863
Changes in Debt Subject to Statutory Limitation:												
Change in debt held by the public	1,474	1,838	1,025	903	778	739	763	731	717	771	820	863
Change in debt held by Government accounts	179	110	153	193	232	275	287	311	339	327	323	318
Change in other factors	5	1	1	2	1	1	2	2	2	2	2	2
Total, change in debt subject to statutory limitation	1,658	1,948	1,179	1,098	1,012	1,015	1,052	1,044	1,059	1,101	1,144	1,183
Debt Subject to Statutory Limitation, End of Year:												
Debt issued by Treasury	13,503	15,449	16,627	17,724	18,734	19,748	20,799	21,842	22,901	24,001	25,145	26,328
Adjustment for discount, premium, and coverage [4]	8	10	11	13	14	15	16	17	18	18	18	18
Total, debt subject to statutory limitation [5]	13,511	15,459	16,638	17,737	18,748	19,764	20,815	21,860	22,918	24,019	25,163	26,346
Debt Outstanding, End of Year:												
Gross Federal debt: [6]												
Debt issued by Treasury	13,503	15,449	16,627	17,724	18,734	19,748	20,799	21,842	22,901	24,001	25,145	26,328
Debt issued by other agencies	26	27	27	27	27	27	26	25	23	22	20	18
Total, gross Federal debt	13,529	15,476	16,654	17,750	18,761	19,776	20,825	21,867	22,924	24,023	25,165	26,346
Held by:												
Debt held by Government accounts	4,510	4,620	4,773	4,967	5,199	5,474	5,761	6,072	6,411	6,739	7,062	7,379
Debt held by the public [7]	9,019	10,856	11,881	12,784	13,562	14,301	15,064	15,795	16,513	17,284	18,103	18,967

Table S–14. Federal Government Financing and Debt—Continued

(In billions of dollars)

	Actual	Estimate										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Debt Held by the Public Net of Financial Assets:												
Debt held by the public	9,019	10,856	11,881	12,784	13,562	14,301	15,064	15,795	16,513	17,284	18,103	18,967
Less financial assets net of liabilities:												
Treasury operating cash balance [2]	310	310	75	75	75	75	75	75	75	75	75	75
Credit financing account balances:												
Direct loan accounts	668	836	1,019	1,166	1,307	1,446	1,562	1,670	1,775	1,879	1,980	2,085
Guaranteed loan accounts	–32	–22	–26	–28	–25	–19	–13	–9	–10	–15	–22	–36
TARP equity purchase accounts	77	92	73	64	55	44	38	33	29	22	13	14
Government-sponsored enterprise preferred stock	109	143	164	172	172	172	172	172	172	172	172	172
Non-Federal securities held by NRRIT	23	22	20	19	18	17	16	14	13	12	11	10
Other assets net of liabilities	–29	–29	–29	–29	–29	–29	–29	–29	–29	–29	–29	–29
Total, financial assets net of liabilities	1,125	1,352	1,296	1,440	1,574	1,706	1,821	1,926	2,025	2,115	2,200	2,290
Debt held by the public net of financial assets	7,894	9,505	10,585	11,344	11,988	12,595	13,243	13,869	14,488	15,169	15,903	16,677

* $500 million or less.

1 A decrease in the Treasury operating cash balance (which is an asset) is a means of financing a deficit and therefore has a negative sign. An increase in checks outstanding (which is a liability) is also a means of financing a deficit and therefore also has a negative sign.

2 Includes assumed Supplementary Financing Program balance of $200 billion on September 30, 2011, and zero on September 30, 2012, and beyond.

3 Includes checks outstanding, accrued interest payable on Treasury debt, uninvested deposit fund balances, allocations of special drawing rights, and other liability accounts; and, as an offset, cash and monetary assets (other than the Treasury operating cash balance), other asset accounts, and profit on sale of gold.

4 Consists mainly of debt issued by the Federal Financing Bank (which is not subject to limit), debt held by the Federal Financing Bank, the unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds), and the unrealized discount on Government account series securities.

5 The statutory debt limit is $14,294 billion, as enacted on February 12, 2010.

6 Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost all measured at sales price plus amortized discount or less amortized premium. Agency debt securities are almost all measured at face value. Treasury securities in the Government account series are otherwise measured at face value less unrealized discount (if any).

7 At the end of 2010, the Federal Reserve Banks held $811.7 billion of Federal securities and the rest of the public held $8,207.2 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

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